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# MYANMAR STRATEGIC HOLDINGS LIMITED
# AND ITS SUBSIDIARIES

*Company Registration Number: 201302159D*

UNAUDITED INTERIM CONDENSED
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD FROM
1 OCTOBER 2019 TO 31 MARCH 2020

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**FINANCIAL AND OPERATIONAL HIGHLIGHTS**
*For the financial period from 1 October 2019 to 31 March 2020*

*All dates refer to the six-month financial period ended 31 March 2020 ("6M'20"), unless otherwise stated. The six-month financial period ended 31 March 2019, the twelve-month financial period ended 31 March 2020 and the financial year ended 31 March 2019 are respectively referred to as "6M'19", "12M'20" and "2019".*

**FINANCIAL HIGHLIGHTS**

- Group revenues for the six-month period ended 31 March 2020 increased 8% year-on-year ("YOY") to US$2.8 million, of which 70% derived from Services, 28% from Education and 2% from Hospitality.
- Group revenues for the twelve-month period ended 31 March 2020 increased 21% to US$5.4 million of which 71% derived from Services, 27% from Education and 2% from Hospitality.
- Group net loss for the period amounted to US$1.6 million (6M'19: US$1.6 million), primarily due to (i) the operating losses of Yangon American (US$0.8 million for the period) impacting the Education division and (ii) a subdued tourism market impacting the Hospitality division.
- Secured a strategic location for a new 650 square metre Wall Street English retail centre within the Mingalar Mandalay shopping complex in Mandalay, in September 2019. The centre, Wall Street English's fourth outlet in Myanmar, was successfully opened in February 2020.
- Received an investment permit from the Myanmar Investment Commission ("MIC") in relation to its first international school, the Yangon American International School ("Yangon American"), in April 2019. The campus was successfully launched in August 2019 with over 50 students of 17 nationalities. The active student population has grown to ca. 70 pupils as at 31 March 2020.
- Underlying revenues, an indicator of the volume of business generated by the managed and owned businesses, increased 14% YOY to ca. US$4.8 million for the six-month financial period of which 40% derived from Services, 47% from Education and 13% from Hospitality.
- Underlying revenues for the twelve-month period ended 31 March 2020 increased 14% to US$8.3 million of which 46% derived from Services, 42% from Education and 12% from Hospitality.
- The Company secured a loan facility of US$3 million with MACAN Pte. Ltd., a related party and the Company's largest shareholder, in July 2019. The loan facility has a tenure of up to three years, may be repayable earlier at the Company's discretion and has an interest rate of 6.0% per annum. In March 2020, the Company and MACAN Pte. Ltd. agreed to increase the loan facility to US$7.0 million. As at 31 March 2020 the drawn down amount was US$3.0 million.

**OPERATIONAL HIGHLIGHTS**

<u>Education</u>

- Group revenues arising from the owned and managed education businesses for the six-month period were US$778,131 (6M'19: US$446,430). The increase is mainly due to the ramp-up of Yangon American's revenues (6M'20: US$284,165), following its launch in September 2019.
- Through its Education division, the Group is currently active in (i) English language learning (Wall Street English), (ii) higher education (Auston College Myanmar) and (iii) K-12 international school (Yangon American International School).
- Under the Wall Street English brand ("WSE"), the Group manages four retail English language centres and one corporate centre. As at 31 March 2020, WSE served over 1,800 registered students across its retail and corporate centres and has established itself as the leading private English language education provider catering to adults in Myanmar. The Group continues to seek opportunities to expand the WSE franchise as it holds the exclusive rights to develop a further six WSE retail centres (up to a total of 10) over the next seven years.
- Within its higher education portfolio, MSH manages Auston College Myanmar ("Auston"), a private school offering foundation and diploma programmes in engineering. The first campus opened in Yangon in May 2018. In February 2020, Auston College Myanmar announced a partnership with Liverpool John Moores University for the provision of engineering training programmes in Myanmar. The delivery of the programmes is expected to commence in September 2020.
- The Group also received the MIC investment permit in relation to its first international school, the Yangon American International School ("Yangon American"), in April 2019. Its planned capacity is 400 students and operations commenced in August 2019 with over 50 students. The active student population has grown to ca. 70 pupils as at 31 March 2020. Yangon American is fully consolidated within the Group as an owned

business within the Group's Education division and generated revenues of US$284,165 for the six-month financial period (12M'20: US$ 360,673).
- During the six-month financial period, the education businesses generated underlying revenues of US$2.2 million (6M'19: US$1.4 million), yielding a 65% YOY growth.

Services

- Group revenues arising from rendering of services for the period were US$2.0 million (6M'19: US$2.1 million), mainly due to a more competitive pricing environment.
- Through its Services division, the Group provides a range of integrated security, risk management, journey management, facility management and cash in transit services under the EXERA brand.
- Acquired by the Group in May 2018, EXERA is an internationally managed provider of security and risk management services, operating exclusively in Myanmar through an experienced workforce of ca. 1,300 security officers as at 31 March 2020.
- EXERA's customer base continues to grow and includes multi-national corporations, large oil and gas companies, established local businesses, foreign embassies, governmental bodies and international organisations such as WHO, WFP, UNHCR, UNICEF, Jotun and the EU.

Hospitality

- Management and technical assistance fees to the Group for the period were US$45,000 (6M'19: US$15,000).
- Under its Hospitality division, the Group manages four boutique hostels across three of the most popular tourist destinations in Myanmar. Following the opening of its fourth boutique hostel, Ostello Bello Bagan Pool, the Group increased the number of beds under management to 474, spread over 108 rooms in 4 locations across Bagan, Mandalay and Nyaung Shwe.
- During the six-month financial period, the number of beds sold amounted to 35,527 (6M'19: 39,922) and the underlying revenues of managed businesses were US$0.62 million (6M'19: US$0.76 million). The significant decline in underlying revenues was mainly due to a broader decline in tourist arrivals in Myanmar linked to the political uncertainty and the conflicts in Rakhine State and the unravelling of the COVID-19 pandemic resulting in certain travel restrictions.
- The Group's main focus is to maintain a strong operating performance and generate operational synergies to offset the currently challenging operating environment in the Myanmar tourism sector.
- Management maintains a positive outlook on the long-term prospects of the Myanmar tourism sector and is cautiously pursuing expansion opportunities in both established tourist hubs (e.g. Yangon and Ngapali) as well as up-and-coming destinations (e.g. Hpa-An and Ngwe Saung).
- In July 2019, Bagan was approved for inclusion on UNESCO's World Heritage List. This is expected to drive an increase in overall tourism inflows in the next 12 months.

New Business Development

- MSH continues to develop its business network and expand its pipeline within both existing sectors (e.g. Services, Education and Hospitality) and new sectors (e.g. Technology).
- As the Group grows, Management is also investing its human and financial resources to create strategic assets, design processes and implement systems that are efficient, flexible and scalable. Therefore, while accelerating the growth of MSH's businesses in Myanmar, Management will selectively evaluate opportunities to expand cross-border within its existing sectors.
- Management routinely conduct in-depth studies of new sectors (e.g. Healthcare, Retail and Financial Services) to determine whether to allocate additional human and financial resources to selected initiatives.

COVID-19 Trading Update

- Although Myanmar only reported its first COVID-19 case at the end of March and the Myanmar Government only implemented strict control measures to limit the spread of COVID-19 in late March, economic activities in the country began to slow at the end of January, given the business disruption occurring regionally and the consequential impact on consumer sentiment. China, Thailand and India also closed their borders to Myanmar in February 2020. The only division significantly impacted over the 6-month period ended 31 March 2020 was Hospitality.

- Hospitality - Ostello Bello: all hotels across Bagan, Mandalay and Nyaung Shwe have been closed since mid-April in accordance with the relevant government directives. Management has reacted quickly to safeguard the health of guests and staff and, simultaneously, reduce operating costs for the long-term sustainability of the business.
- Education - Wall Street English: following the government directives issued in mid-March, Wall Street English proceeded to temporarily close its English language learning centres and transition the delivery of its award-winning learning products online. As of 31 May 2020, all 1,800 Wall Street English students were active online. While the educational consultants have continued to generate revenues through online and offline channels, the new sales pipeline is expected to be negatively impacted as a result of the lower consumer confidence. All centres re-opened in mid-June.
- Education - Auston College Myanmar ("Auston"): Auston has also temporarily closed its campus and is currently delivering its educational products online through the G Suite for Education by Google. Following its partnership with Liverpool John Moores University ("LJMU"), Auston commenced the marketing of LJMU's engineering training programmes and globally recognised degrees at the beginning of May. Student enrolment is expected to accelerate ahead of the commencement of degree courses in September 2020.
- Education - Yangon American: in-line with government directives issued in mid-March, Yangon American closed its campus on Insein Road, Yangon. All students have transitioned to online learning, delivered through a combination of G Suite for Education by Google, Zoom and other educational platforms. Yangon American awaits further instruction by the government in relation to a re-opening date. No significant impact is expected for new student enrolment ahead of the academic year commencing in August 2020.
- Services - EXERA: as a result of COVID-19, EXERA forecasts an increase in the security risks in Myanmar including, among others, health and safety violations, petty crime, robberies and possible social unrest. While practicing social distancing measures, EXERA has rapidly adopted stringent business continuation plans and continues to deliver its guarding, facilities management and risk management services across its entire client base with ca. 1,300 security officers 165 sites. EXERA's sales pipeline is healthy and business performance is expected to remain stable, with the potential to improve as the pandemic evolves.
- Despite the challenging business environment and moderate slow down, COVID-19 has accelerated the digital transformation across all divisions and unlocked new revenue streams such as a fully online product for Wall Street English.

Myanmar Macro-Economic Highlights

- Prior to the COVID-19 pandemic, the World Bank projected Myanmar’s economic growth at 6.3% in 2019/2020 and 6.4% in 2020/2021. However, adjusted for direct and indirect impacts of the COVID-19 pandemic, Myanmar’s economic growth is expected to grow by only to 0.5% in 2019/2020 and recover to a 7.2% growth in 2020/2021 according to the World Bank. The Asian Development Bank’s COVID-19 pandemic adjusted growth forecast for Myanmar is 1.8% for 2020 and 6.0% in 2021, assuming the virus is confined quickly.
- In April 2020, the government of Myanmar launched its COVID-19 Economic Relief Plan (CERP). The CERP comprises 7 goals, 10 strategies, 36 action plans and 76 actions, each with an estimated timeline and designated authority in charge, covering a range of fiscal and social measures. The government of Myanmar expects the CERP to cost at least US$2.0 billion which will be funded by the re-allocated budget and foreign aid. Management does not envisage any significant financial impact on the Group linked to the CERP as the plan is mainly directed at small and medium enterprises in Myanmar.
- Furthermore, to accelerate the economic recovery, the Central Bank of Myanmar has cut its interest rate by 3% (1.5% in March 2020 and additional 1.5% on 28 April 2020) to 7% as at 31 May 2020.
- Additional reforms are expected in response to the COVID-19 pandemic and ahead of the general elections to be held in November 2020.

Enrico Cesenni, Chief Executive Officer of Myanmar Strategic Holdings, said:

*"I am very pleased to report that over the six-month period we have continued to enhance our services and products across all our divisions in Myanmar, as we remain focused on growth and maximising operational efficiency.*

*"During the period, MSH's Education division continued to grow with the Group's first international school, Yangon American, increasing its initial student population from ca. 50 students to ca. 70 students. Furthermore, in February 2020, our Education division successfully launched Wall Street English's fourth centre - the first in Mandalay - and announced the partnership with Liverpool John Moores University in the U.K.*

*"In the Services division, EXERA continued to consolidate its client portfolio, winning and renewing prestigious contracts with embassies and multinational companies nationwide. Additionally, we are optimistic about future growth opportunities following the expansion of EXERA's product range, having launched its integrated facilities management service, which will initially support Yangon American.*

*"While the Hospitality division has been affected by the decline in tourism and the COVID-19 pandemic, the Ostello Bello boutique hostels provided an important backbone to the operations of both the Education and Services division, functioning as regional hubs.*

*"While businesses have inevitably been affected by COVID-19, Myanmar has reacted quickly and firmly to the pandemic, successfully containing any contagion. Our core shareholders remain very supportive and continue to provide funding to the Group as demonstrated by the increase of the loan facility announced in March 2020 and the new subscriptions of shares announced in May 2020.*

*"We were delighted to announce the proposed acquisition of Wall Street English Vietnam ("WSE Vietnam"), an important strategic transaction for the Group, on 26 May 2020. The acquisition is testament to our ability to identify and invest in strategic assets in the region and will provide a significant opportunity to generate operational synergies, leveraging the competencies we have gained over the years operating in Myanmar. WSE Vietnam caters to the premium ELT market, focusing exclusively on adult learning, and providing services through a flexible and integrated blended learning solution that can be delivered entirely online. As of 30 April 2020, it served over 6,000 students at 7 centres located in Ho Chi Minh and Binh Dhuong. The centres will continue to operate under 10-year Centre Franchise Agreements with Wall Street English International on terms similar to those in place for Wall Street English Myanmar. The acquisition is subject to customary regulatory approvals and is expected to complete by July 2020.*

*"The Board is confident that the Company's consumer-focused businesses are well positioned both to contribute to, and also benefit from, the favourable outlook for economic growth in Myanmar. Furthermore, this strategic expansion into Vietnam will allow the Group to benefit from significant economies of scale and experience, as well as the sustained growth of the Vietnamese economy.*

*"We look forward to updating shareholders on our progress in due course."*

**For more information please visit www.ms-holdings.com or contact:**

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## FINANCIAL REVIEW

- The revenues generated by the Group in relation to the businesses owned and managed grew to US$2.8 million for the six-month period ended 31 March 2020 (6M'19: US$2.6 million), an increase of ca. 8% YOY.
- This was driven primarily by an increase of 74% in the revenues and fees generated by the Education division, primarily attributed to Wall Street English and Yangon American. On the contrary, the revenues generated by the Services division declined by 8% YOY due to a more competitive pricing environment.

## RESULTS OF OPERATIONS

- The Group's Adjusted EBITDA loss, which excludes expenditure of a one-off nature, therefore shows a clearer picture of the performance of the operations, reduced to US$0.9 million for the six-month financial period ended 31 March 2020 (6M'19: US$1.5 million).
- The Group's net loss amounted to US$1.6 million for the six-month financial period (6M'19: US$1.6 million net loss).
- While Group revenues grew by 8% vs. the previous period, employee benefits expenses grew at a lower rate of 4% YOY.
- IFRS 16 requires amortisation to be charged on the rights-of-use assets and interest expense on lease liabilities instead of operating lease expenses which was required by the previous accounting standard for leases, IAS 17, to be charged to the profit and loss. In the half year results under review and on aggregate, the amortisation of right-of-use assets and the interest expense on lease liabilities are lower than the operating lease expenses. The effect on the adoption of the IFRS 16: Leases coupled with the decline in professional fees resulted in an overall decrease in expenses of 32%.
- Once including the depreciation expense and the interest expense in relation to the right-of-use assets, the Group's Adjusted EBITDA loss after the impact of the rights-of-use-asset further widened to US$1.2 million for the six-month financial period (6M'19: US$1.5 million).
- In the six-month financial period the Group recognised expenses of ca. US$0.32 million in relation to the right of use asset, of which US$0.19 million was depreciation expense and US$0.14 million was finance cost.
- Depreciation expense over the period increased significantly to U$0.17 million due to the additional depreciation in relation to the refurbishment and fit-out of Yangon American.
- Direct and indirect Full Time Employees ("FTEs") increased to ca. 1,700 (ca. 1,400 as at 31 March 2019), of which ca. 400 FTEs (Mar'19: 300) were employed within the operations under management and ca. 1,300 FTEs (Mar'19: 1,100) were employed in the owned operations. The growth was mainly due to the opening of Yangon American, the launch of the fourth English language centre in Mandalay and the expansion of EXERA's operations.

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**MYANMAR STRATEGIC HOLDINGS LIMITED AND ITS SUBSIDIARIES**
*Company Registration No.: 201302159D*

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**
*For the financial period from 1 October 2019 to 31 March 2020*

| | Unaudited 6 months ended 31 March 2020 US$ | Unaudited 6 months ended 31 March 2019 US$ | Unaudited 12 months ended 31 March 2020 US$ | Audited Year ended 31 March 2019 US$ |
|---|---|---|---|---|
| Revenue | 2,781,116 | 2,584,575 | 5,353,468 | 4,424,892 |
| Other income | 93 | 1,584 | 18,551 | 4,932 |
| Employee benefits expense | (2,557,346) | (2,450,813) | (4,821,310) | (3,847,090) |
| Other expenses (Excl. one-off expenses pursuant to the deal-related expenses and loss on write-off) | (1,123,492) | (1,675,2) | (2,640,875) | (2,638,392) |
| **Adjusted EBITDA** | **(906,972)** | **(1,539,893)** | **(2,090,166)** | **(2,055,658)** |
| Amortisation expense on right-of-use asset | (187,240) | - | (374,481) | - |
| Finance cost on right-of-use asset | (142,654) | - | (240,599) | - |
| **Adjusted EBITDA after Impact of Right-of-Use Asset** | **(1,236,866)** | **(1,539,893)** | **(2,705,246)** | **(2,055,658)** |
| One-off expenses pursuant to the deal-related expenses and loss on write-off | (68,577) | - | (95,037) | (321,523) |
| Depreciation expense | (161,798) | (41,543) | (263,941) | (61,484) |
| Finance cost | (78,124) | - | (108,342) | - |
| Amortisation expense | (62,550) | (65,406) | (128,433) | (128,229) |
| **Loss before income tax** | **(1,600,572)** | **(1,646,843)** | **(3,300,999)** | **(2,566,894)** |
| Income tax | 10,383 | 30,330 | 21,018 | 30,330 |
| **Loss for the financial period/year, representing total comprehensive loss for the financial period/year** | **(1,590,189)** | **(1,616,513)** | **(3,279,981)** | **(2,536,564)** |
| **Loss and total comprehensive loss attributable to:** | | | | |
| Owners of the Company | (1587,660) | (1,612,761) | (3,273,616) | (2,534,646) |
| Non-controlling interests | (2,529) | (3,752) | (6,365) | (1,918) |
| | **(1,590,189)** | **(1,616,513)** | **(3,279,981)** | **(2,536,564)** |
| **Loss per share** | | | | |
| - Basic and diluted (US$) | (1.28) | (1.31) | (1.31) | (1.03) |

UNDERLYING REVENUES

- The Underlying Revenues are an indicator of the total volume of business generated in each division. The operating businesses managed and owned by the Group generated revenues ("Underlying Revenues") of US$4.8 million for the six-month period ended 31 March 2020 (6M'19: US$4.2 million), an increase of ca. 14% YOY.
- The 22% YOY growth of the businesses managed by the Group was driven by the further expansion of Wall Street English Myanmar, following the opening of the fourth WSE retail centre in February 2020.
- The 6% growth of the businesses owned by the Group was mainly driven by the ramp-up operation of Yangon American International School, offset by a moderate decline in the revenues of EXERA.

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**
*For the financial period from 1 October 2019 to 31 March 2020*

| Underlying revenues | Unaudited 6 months ended 31 March 2020 US$ | Unaudited 6 months ended 31 March 2019 US$ | Unaudited 12 months ended 31 March 2020 US$ | Audited Year ended 31 March 2019 US$ |
|---|---|---|---|---|
| Managed businesses | | | | |
| Hospitality (Ostello Bello) | 617,633 | 757,135 | 1,019,717 | 1,209,258 |
| Education (WSE, Auston) | 1,962,072 | 1,360,353 | 3,112,961 | 2,618,741 |
| **Total managed businesses** | **2,579,705** | **2,117,488** | **4,132,678** | **3,827,999** |
| Owned Businesses | | | | |
| Services (EXERA) | 1,957,985 | 2,123,145 | 3,790,492 | 3,445,155 |
| Education (Yangon American) | 284,165 | - | 360,673 | - |
| **Total owned businesses** | **2,242,150** | **2,123,145** | **4,151,165** | **3,445,155** |
| **Total underlying revenues** | **4,821,855** | **4,240,633** | **8,283,843** | **7,273,154** |

GROUP REVENUES

- Group revenues include the fees generated by the managed businesses and the revenues generated by the Owned Businesses. Group revenues for the six-month financial period ended 31 March 2020 amounted to US$2.8 million (6M'19: US$2.6 million), an increase of ca. 8% YOY, and were composed of US$2.3 million in revenues generated by the owned businesses and US$0.5 million in fees generated by the managed businesses.

| Fees generated by managed businesses | Unaudited 6 months ended 31 March 2020 US$ | Unaudited 6 months ended 31 March 2019 US$ | Unaudited 12 months ended 31 March 2020 US$ | Audited Year ended 31 March 2019 US$ |
|---|---|---|---|---|
| Hospitality (Ostello Bello) | 45,000 | 15,000 | 135,000 | 105,000 |
| Education (WSE, Auston) | 493,966 | 446,430 | 1,067,303 | 874,737 |
| **Fees generated by managed businesses** | **538,966** | **461,430** | **1,202,303** | **979,737** |

LIQUIDITY AND CAPITAL RESOURCES

- With regards to the investing activities, the Group advances funds to the owners of the relevant managed operations to fund refurbishment expenses, improvements and general working capital. Such advances are unsecured and interest free and there is a risk that the Group may not be repaid some or all of these monies.
- The significant growth in cash used in investing activities for the six-month period ended 31 March 2020 was primarily due to the fund advanced to a related party in the education sector for the launch of Wall Street English's fourth centre in Mandalay.
- With regards to the Group's financing activities, the Group's principal source of liquidity in the six-month period ended 31 March 2020 has been a loan from the ultimate holding company, MACAN Pte. Ltd.. As at 31 March 2020, the entire loan facility of US$3.0 million was drawn down. In March 2020, the Company and MACAN Pte. Ltd. agreed to increase the overall loan facility from US$3.0 million to US$7.0 million. The Loan Facility has a tenure of up to three years, may be repayable earlier at the Company's discretion and bears an interest rate of 6.0% per annum.
- The Group's financing cash outflow for the six-month financial period amounted to US$480,000 due to the payment of the principal and the interest related to the Yangon American's lease liability.
- During the six-month period, the net reduction in cash and cash equivalents was US$1.8 million before the loan of US$1.0 million from MACAN Pte Ltd. This negative trend was due to the negative operating cash flow, as the Group is in an expansion phase, and the continued investments in (i) the managed operations as demonstrated by the increase in advances to related parties and third parties for the expansion of Wall Street English and (ii) the owned operations as demonstrated by the launch of the Yangon American International School.

**MYANMAR STRATEGIC HOLDINGS LIMITED AND ITS SUBSIDIARIES**
*Company Registration No.: 201302159D*

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**
*For the financial period from 1 October 2019 to 31 March 2020*

| | Note | Unaudited 6 months ended 31 March 2020 US$ | Unaudited 6 months ended 31 March 2019 US$ | Unaudited 12 months ended 31 March 2020 US$ | Audited Year ended 31 March 2019 US$ |
|---|---|---|---|---|---|
| Revenue | 4 | 2,781,116 | 2,584,575 | 5,353,468 | 4,424,892 |
| Other income | 5 | 93 | 1,584 | 18,551 | 4,932 |
| Employee benefits expense | 6 | (2,557,346) | (2,450,813) | (4,821,310) | (3,847,090) |
| Depreciation expense | 9 | (161,798) | (41,543) | (263,942) | (61,484) |
| Amortisation expense | 10,11 | (249,790) | (65,406) | (502,915) | (128,229) |
| Other expenses | | (1,192,069) | (1,646,583) | (2,735,910) | (2,931,258) |
| Impairment loss on financial assets | | - | (28,657) | - | (28,657) |
| Finance cost | 7 | (220,778) | - | (348,941) | - |
| Loss before income tax | 8 | (1,600,572) | (1,646,843) | (3,300,999) | (2,566,894) |
| Income tax | | 10,383 | 30,330 | 21,018 | 30,330 |
| **Loss for the financial period/year, representing total comprehensive income for the financial period/year** | | **(1,590,189)** | **(1,616,513)** | **(3,279,981)** | **(2,536,564)** |
| **Loss and total comprehensive income attributable to:** | | | | | |
| Owners of the Company | | (1,587,660) | (1,612,761) | (3,273,616) | (2,534,646) |
| Non-controlling interests | | (2,529) | (3,752) | (6,365) | (1,918) |
| | | **(1,590,189)** | **(1,616,513)** | **(3,279,981)** | **(2,536,564)** |
| **Loss per share** | | | | | |
| - Basic and diluted (US$) | | (1.28) | (1.31) | (1.31) | (1.03) |

The accompanying notes form an integral part of these financial statements.

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
*As at 31 March 2020*

| | Note | Unaudited As at 31 March 2020 US$ | Audited As at 31 March 2019 US$ |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Plant and equipment | 9 | 697,095 | 536,556 |
| Intangible assets | 10 | 1,730,877 | 1,839,608 |
| Right-of-use assets | 11 | 3,276,711 | - |
| Financial assets, at FVOCI | 12 | 150,000 | 150,000 |
| Total non-current assets | | 5,854,683 | 2,526,164 |
| **Current assets** | | | |
| Trade and other receivables | 13 | 4,870,249 | 4,166,647 |
| Cash and cash equivalents | 14 | 238,327 | 777,847 |
| Total current assets | | 5,108,576 | 4,944,494 |
| **Total assets** | | **10,963,259** | **7,470,658** |
| **LIABILITIES AND EQUITY** | | | |
| **Liabilities** | | | |
| **Non-current liabilities** | | | |
| Deferred revenue | 4 | 245,795 | 57,291 |
| Lease liabilities | 17 | 2,719,735 | - |
| Deferred tax liabilities | | 24,348 | 46,196 |
| Loan from ultimate holding company | 16 | 3,000,000 | - |
| Total non-current liabilities | | 5,989,878 | 103,487 |
| **Current liabilities** | | | |
| Trade and other payables | 15 | 911,626 | 783,766 |
| Deferred revenue | 4 | 385,472 | 173,692 |
| Lease liabilities | 17 | 305,676 | - |
| Total current liabilities | | 1,602,774 | 957,458 |
| **Total liabilities** | | **7,592,652** | **1,060,945** |
| **Equity** | | | |
| Share capital | 18 | 14,016,058 | 14,016,058 |
| Share option reserve | 19 | 534,063 | 319,568 |
| Equity reserves | 19 | (118,061) | (118,061) |
| Accumulated losses | 19 | (11,107,672) | (7,860,436) |
| **Equity attributable to owners of the Company** | | **3,324,388** | **6,357,129** |
| Non-controlling interest | | 46,219 | 52,584 |
| **Total equity** | | **3,370,607** | **6,409,713** |
| **Total liabilities and equity** | | **10,963,259** | **7,470,658** |

The accompanying notes form an integral part of these financial statements.

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**
*For the financial period from 1 October 2019 to 31 March 2020*

| **Unaudited** | | **6 months ended 31 March 2020** | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | **Note** | Share capital US$ | Share option reserve US$ | Equity reserves US$ | Accumulated losses US$ | Equity attributable to owners of the Company US$ | Non-controlling interest US$ | Total Equity US$ |
| **Equity** | | | | | | | | |
| Balance as at 1 October 2019 | | 14,016,058 | 438,022 | (118,061) | (9,546,392) | 4,789,627 | 48,748 | 4,838,375 |
| Effect of adoption of IFRS 16 | | - | - | - | 26,380 | 26,380 | - | 26,380 |
| Balance as at 1 October 2019, as restated | | 14,016,058 | 438,022 | (118,061) | (9,512,669) | 4,823,350 | 48,748 | 4,872,098 |
| Loss for the financial period, representing total comprehensive income for the financial period | | - | - | - | (1,587,660) | (1,587,660) | (2,529) | (1,597,532) |
| **Contribution by owners of the Company** | | | | | | | | |
| Recognition of share-based payments | 6 | - | 96,041 | - | - | 96,041 | - | 96,041 |
| **Balance as at 31 March 2020** | | **14,016,058** | **534,063** | **(118,061)** | **(11,107,672)** | **3,324,388** | **46,219** | **3,370,607** |

The accompanying notes form an integral part of these financial statements.

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**
*For the financial period from 1 October 2019 to 31 March 2020*

| **Unaudited** | | 6 months ended 31 March 2019 | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | **Note** | Share capital US$ | Share option reserve US$ | Equity reserves US$ | Accumulated losses US$ | Equity attributable to owners of the Company US$ | Non-controlling interest US$ | Total Equity US$ |
| **Equity** | | | | | | | | |
| Balance at 1 October 2018 | | 14,016,058 | 186,089 | (37,457) | (6,247,675) | 7,917,015 | (24,488) | 7,892,527 |
| Loss for the financial period, representing total comprehensive income for the financial period | | - | - | - | (1,612,761) | (1,612,761) | (3,752) | (1,616,513) |
| **Contribution by owners of the Company** | | | | | | | | |
| Recognition of share-based payments | 6 | - | 133,479 | - | - | 133,479 | - | 133,479 |
| **Change in ownership interest in a subsidiary** | | | | | | | | |
| Issuance of shares | | - | - | (60,541) | - | (60,541) | 60,841 | 300 |
| Acquisition of non-controlling interest | | - | - | (20,063) | - | (20,063) | 19,983 | (80) |
| **Balance as at 31 March 2019** | | **14,016,058** | **319,568** | **(118,061)** | **(7,860,436)** | **6,357,129** | **52,584** | **6,409,713** |

The accompanying notes form an integral part of these financial statements.

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
*For the financial period from 1 October 2019 to 31 March 2020*

| **Unaudited** | | **12 months ended 31 March 2020** | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | **Note** | Share capital US$ | Share option reserve US$ | Equity reserves US$ | Accumulated losses US$ | Equity attributable to owners of the Company US$ | Non-controlling interest US$ | Total Equity US$ |
| **Equity** | | | | | | | | |
| Balance as at 1 April 2019 | | 14,016,058 | 319,568 | (118,061) | (7,860,436) | 6,357,129 | 52,584 | 6,409,713 |
| Effect of adoption of IFRS 16 | | - | - | - | 26,380 | 26,380 | - | 26,380 |
| Balance as at 1 April 2019, as restated | | 14,016,058 | 319,568 | (118,061) | (7,834,056) | 6,383,509 | 52,584 | 6,436,093 |
| Loss for the financial period, representing total comprehensive income for the financial period | | - | - | - | (3,273,616) | (3,273,616) | (6,365) | (3,279,981) |
| **Contribution by owners of the Company** | | | | | | | | |
| Recognition of share-based payments | 6 | - | 214,495 | - | - | 214,495 | - | 214,495 |
| **Balance as at 31 March 2020** | | **14,016,058** | **534,063** | **(118,061)** | **(11,107,672)** | **3,324,388** | **46,219** | **3,370,607** |

The accompanying notes form an integral part of these financial statements.

**MYANMAR STRATEGIC HOLDINGS LIMITED AND ITS SUBSIDIARIES**
*Company Registration No.: 201302159D*

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**
*For the financial period from 1 October 2019 to 31 March 2020*

**Audited**

| | | Year ended 31 March 2019 | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Note | Share capital US$ | Share option reserve US$ | Equity reserves US$ | Accumulated losses US$ | Equity attributable to owners of the Company US$ | Non-controlling interest US$ | Total Equity US$ |
| **Equity** | | | | | | | | |
| Balance as at 1 April 2018 | | 10,746,042 | 180,893 | (37,457) | (5,279,332) | 5,610,146 | (26,322) | 5,583,824 |
| Effect of adoption of IFRS 15 | | - | - | - | (46,458) | (46,458) | - | (46,458) |
| Balance as at 1 April 2018, as restated | | 10,746,042 | 180,893 | (37,457) | (5,325,790) | 5,563,688 | (26,322) | 5,537,366 |
| Loss for the financial year, representing total comprehensive loss for the financial year | | - | - | - | (2,534,646) | (2,534,646) | (1,918) | (2,536,564) |
| **Contribution by owners of the Company** | | | | | | | | |
| Issuance of shares | 18 | 3,270,016 | - | - | - | 3,270,016 | - | 3,270,016 |
| Recognition of share-based payments | 6 | - | 138,675 | - | - | 138,675 | - | 138,675 |
| **Change in ownership interest in a subsidiary** | | | | | | | | |
| Issuance of shares | | - | - | (60,541) | - | (60,541) | 60,841 | 300 |
| Acquisition of non-controlling interest | | - | - | (20,063) | - | (20,063) | 19,983 | (80) |
| **Balance as at 31 March 2019** | | **14,016,058** | **319,568** | **(118,061)** | **(7,860,436)** | **6,357,129** | **52,584** | **6,409,713** |

The accompanying notes form an integral part of these financial statements.

**MYANMAR STRATEGIC HOLDINGS LIMITED AND ITS SUBSIDIARIES**
*Company Registration No.: 201302159D*

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
*For the financial period from 1 October 2019 to 31 March 2020*

| | Note | Unaudited 6 months ended 31 March 2020 US$ | Unaudited 6 months ended 31 March 2019 US$ | Unaudited 12 months ended 31 March 2020 US$ | Audited Year ended 31 March 2019 US$ |
|---|---|---|---|---|---|
| **Operating activities** | | | | | |
| Loss before income tax | | (1,600,572) | (1,646,843) | (3,300,999) | (2,566,894) |
| Adjustments for: | | | | | |
| Interest income | | (93) | (1,178) | (275) | (2,099) |
| Gain on liquidation of a subsidiary | | - | (1,663) | - | (1,663) |
| Share-based compensation | 6 | 96,041 | 133,479 | 214,495 | 138,675 |
| Interest expense on lease liabilities | 7 | 142,654 | - | 240,599 | - |
| Impairment loss on financial assets | | - | 28,657 | - | 28,657 |
| Loss on disposal of plant and equipment | | - | - | - | 1,015 |
| Plant and equipment written off | 9 | 39,396 | 19,801 | 44,959 | 19,801 |
| Depreciation of plant and equipment | 9 | 161,798 | 41,544 | 263,942 | 61,484 |
| Amortisation of right-of-use assets | 11 | 187,240 | - | 374,481 | - |
| Amortisation of intangible assets | 10 | 62,550 | 65,406 | 128,433 | 128,229 |
| Operating cash flows before working capital changes | | (910,986) | (1,360,797) | (2,034,365) | (2,192,795) |
| Working capital changes: | | | | | |
| Trade and other receivables | | (286,762) | (483,685) | (220,638) | (344,546) |
| Deferred Revenue | | 90,351 | 162,442 | 400,284 | 184,525 |
| Trade and other payables | | 222,954 | (48,289) | 137,178 | 139,077 |
| Cash used in operations | | (884,443) | (1,730,329) | (1,717,541) | (2,213,739) |
| Interest received | | 93 | 1,178 | 275 | 2,099 |
| Income tax paid | | (52) | (51,512) | (830) | (51,512) |
| Net cash flows used in operating activities | | (884,402) | (1,780,663) | (1,718,096) | (2,263,152) |
| **Investing activities** | | | | | |
| Purchase of plant and equipment | 9 | (42,016) | - | (479,964) | (480,279) |
| Purchase of intangible assets | 10 | - | - | (19,703) | (90,000) |
| Advances from / to related parties | | (382,997) | (312,153) | (516,450) | (770,811) |
| Advances to third parties | | (32,743) | 413,030 | (85,306) | 29,112 |
| Acquisition of subsidiaries, net of cash acquired | | - | (2,154) | - | (1,937,040) |
| Purchase of financial asset, at FVOCI | 12 | - | - | - | (150,000) |
| Net cash flows used in investing activities | | (457,756) | 98,723 | (1,101,423) | (3,399,018) |

**MYANMAR STRATEGIC HOLDINGS LIMITED AND ITS SUBSIDIARIES**
*Company Registration No.: 201302159D*

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**
*For the financial period from 1 October 2019 to 31 March 2020*

| | Note | Unaudited 6 months ended 31 March 2020 US$ | Unaudited 6 months ended 31 March 2019 US$ | Unaudited 12 months ended 31 March 2020 US$ | Audited Year ended 31 March 2019 US$ |
|---|---|---|---|---|---|
| **Financing activities** | | | | | |
| Acquisition of equity interest from non-controlling interests | | - | (80) | - | (80) |
| Proceeds from subscription of shares by non-controlling interests | | - | - | - | 300 |
| Proceeds from issuance of ordinary shares | | - | | - | 3,070,000 |
| Loan from ultimate holding company | 16 | 1,000,000 | - | 3,000,000 | - |
| Principal payment for lease liability | | (337,346) | - | (479,401) | - |
| Interest payment for lease liability | | (142,654) | | (240,599) | |
| Net cash generated from financing activities | | 520,000 | (80) | 2,280,000 | 3,070,220 |
| Net changes in cash and cash equivalents | | (822,158) | (1,682,020) | (539,520) | (2,591,950) |
| Cash and cash equivalents at beginning of financial period/year | | 1,060,485 | 2,459,867 | 777,847 | 3,369,797 |
| Cash and cash equivalents at end of financial period/year | 14 | 238,327 | 777,847 | 238,327 | 777,847 |

The accompanying notes form an integral part of these financial statements.

These notes form an integral part of and should be read in conjunction with the accompanying interim condensed consolidated financial statements.

## 1 GENERAL

Myanmar Strategic Holdings Limited (the "Company") is a public company limited by shares incorporated and domiciled in Singapore with its registered office at 80 Raffles Place, #32-01, UOB Plaza 1, Singapore 048624 and principal place of business at Time City, #15-01 Office Tower 2, Kyun Taw Road, Kamaryut Township, Yangon, Republic of the Union of Myanmar. The Company was listed on the Main Market of the London Stock Exchange on 22 August 2017.

The principal activities of the Company are investment and trading in Myanmar related to investment projects.

The Company's immediate and ultimate holding company is MACAN Pte. Ltd., a company incorporated and domiciled in Singapore. Related companies in these financial statements refer to the members of the MACAN Pte. Ltd. Group.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### 2.1 Basis of preparation

The interim condensed consolidated financial statements for the six months ended 31 March 2020 have been prepared in accordance with IAS 34 Interim Financial Reporting.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual audited consolidated financial statements as at 31 March 2019.

The financial statements have been drawn up in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union and are prepared under the historical cost convention, except as disclosed in the accounting policies below.

The consolidated financial statements of the Group are presented in United States dollar ("US$") which is the functional currency and the presentation currency for the consolidated financial statements.

The preparation of financial statements in compliance with IFRS requires management to make judgements, estimates and assumptions that affect the Group's application of accounting policies and reported amounts of assets, liabilities, revenue and expenses. Although these estimates are based on management's best knowledge of current events and actions, actual results may differ from those estimates. The areas where such judgements or estimates have significant effect on the financial statements are disclosed in Note 3 to the financial statements.

The Group has adopted all the new and revised IFRS that are relevant to its operations and effective for the current financial period. The adoption of these new/revised IFRS did not result in changes to the Group's accounting policies and had no material effect on the amounts reported for the current or prior financial periods except as detailed below.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.2 Adoption of new and amended standards and interpretations

IFRS 16 Leases
IFRS 16 supersedes IFRS 1-17 *Leases* and IFRS INT 4 *Determining whether an Arrangement Contains a Lease*. IFRS 16 provides a single lessee accounting model which eliminates the distinction between operating and finance leases for lessees. IFRS 16 requires lessee to capitalise all leases on the consolidated statement of financial position by recognising a 'right-of-use' asset and a corresponding lease liability for the present value of the obligation to make lease payments, except for certain short-term leases and leases of low-value assets. Subsequently, the right-of-use assets will be amortised, and the lease liabilities will be measured at amortised cost. From the perspective of a lessor, the classification and accounting for operating and finance leases remains substantially unchanged under IFRS 16.

The Group applied IFRS 16 retrospectively with the cumulative effect of initially applying this standard as an adjustment to the opening retained earnings as at 1 April 2019 (the "date of initial application"). The Group elected to apply the practical expedient to not reassess whether a contract is or contains a lease at the date of initial application. Contracts entered into before the transition date that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed. The definition of lease under IFRS 16 was applied only to contracts entered into or changed on or after 1 April 2019.

In applying the modified retrospective approach, the Group has taken advantage of the following practical expedients:

- Initial direct costs have not been included in the measurement of the right-of-use asset at the date of initial application; and

- For the purpose of measuring the right-of-use asset, hindsight has been used. Therefore, it has been measured based on prevailing estimates at the date of initial application and not retrospectively by making estimates and judgements (such as lease terms) based on circumstances on or after the lease commencement date.

On adoption of IFRS 16, the Group recognised right-of-use assets and lease liabilities in relation to lease of international school building which had previously been classified as operating leases.

Lease liabilities from operating leases under the principles of IAS 17 were measured at the present value of the remaining lease payments, discounted using lessee's incremental borrowing rate as at 1 April 2019. The incremental borrowing rate applied to lease liabilities on 1 April was 6% per annum.

The effect of adopting IFRS 16 as at 1 April 2019 was as follows:

| | **Group**<br>Increase /<br>(decrease)<br>USD |
|---|---|
| **Assets** | |
| Right-of-use assets | 3,651,192 |
| Trade and other receivables | (120,000) |
| **Liabilities** | |
| Lease Liabilities | 3,504,812 |
| **Equity** | |
| Retained Earnings | 26,380 |

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.2 Adoption of new and amended standards and interpretations (Continued)

IFRS 16 Leases (Continued)

The aggregate lease liabilities recognised in the consolidated statement of financial position as at 1 April 2019 and the Group's operating lease commitment as at 31 March 2019 can be reconciled as follows:

| | USD |
|---|---|
| Operating lease commitment as at 31 March 2019 | 720,000 |
| Add: Effect of extension options reasonably certain to be exercised | 3,840,000 |
| | 4,560,000 |
| Effect of discounting using the incremental borrowing rate as at date of initial application | (1,055,188) |
| Lease liability as at 1 April 2019 | 3,504,812 |

### 2.3 Standards issued but not yet effective

At the date of authorisation of these financial statements, the following IFRS that are relevant to the Group were issued but not effective, and have not been adopted early in these financial statements:

| | Description | Effective for annual periods beginning on or after |
|---|---|---|
| Various | Amendments to References to the Conceptual Framework in FRS Standards | 1 January 2020 |
| IFRS 3 (Amendments) | Definition of a Business | 1 January 2020 |
| IFRS 10 and IFRS 1-28 (Amendments) | Sale or Contribution of Assets between an Investor and its Associate or Joint Venture | To be determined |

Management anticipates that the adoption of the above IFRS in future periods will not have a material impact on the financial statements of the Group in the period of their initial adoption.

### 2.4 Basis of consolidation and business combinations

*Basis of consolidation*

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries. Subsidiaries are entities over which the Group has control. The Group controls an investee if the Group has power over the investee, exposure to variable returns from the investee, and the ability to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

Subsidiaries are consolidated from the date on which control is obtained by the Group up to the effective date on which control is lost, as appropriate.

Intra-group balances and transactions and any unrealised income and expenses arising from intra-group transactions are eliminated on consolidation. Unrealised losses may be an impairment indicator of the asset concerned.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.4 Basis of consolidation and business combinations (Continued)

The financial statements of the subsidiaries are prepared for the same reporting period as that of the Company, using consistent accounting policies. Where necessary, accounting policies of subsidiaries are changed to ensure consistency with the policies adopted by other members of the Group.

Non-controlling interests in subsidiaries relate to the equity in subsidiaries which is not attributable directly or indirectly to the owners of the parent. They are shown separately in the consolidated statements of comprehensive income, financial position and changes in equity.

Non-controlling interests in the acquiree that are a present ownership interest and entitle its holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the fair value, of the acquiree's identifiable net assets. The choice of measurement basis is made on an acquisition-by-acquisition basis. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary it derecognises the assets and liabilities of the subsidiary and any non-controlling interest. The profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests.

Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for (i.e. reclassified to profit or loss or transferred directly to retained earnings) in the same manner as would be required if the relevant assets or liabilities were disposed of. The fair value of any investments retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IFRS 9 or, when applicable, the cost on initial recognition of an investment in an associate or joint venture.

*Business combinations*

The acquisition of subsidiaries is accounted for using the acquisition method. The consideration transferred for the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred. Consideration transferred also includes any contingent consideration measured at the fair value at the acquisition date. Subsequent changes in fair value of contingent consideration which is deemed to be an asset or liability, will be recognised in profit or loss.

The acquiree’s identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 are recognised at their fair values at the acquisition date.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.4 Basis of consolidation and business combinations (Continued)

*Business combinations (Continued)*

Where a business combination is achieved in stages, the Group's previously held interests in the acquired entity are remeasured to fair value at the acquisition date (i.e. the date the Group attains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss, where such treatment would be appropriate if that interest were disposed of.

Goodwill arising on acquisition is recognised as an asset at the acquisition date and initially measured at the excess of the sum of the consideration transferred, the amount of any noncontrolling interest in the acquiree and the fair value of the acquirer's previously held equity interest (if any) in the entity over net acquisition-date fair value amounts of the identifiable assets acquired and the liabilities and contingent liabilities assumed.

If, after reassessment, the net fair value of the acquiree's identifiable net assets exceeds the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase.

### 2.4 Revenue recognition

Revenue is recognised when a performance obligation is satisfied. Revenue is measured based on consideration of which the Group expects to be entitled in exchange for transferring promised good or services to a customer, excluding amounts collected on behalf of third parties (i.e. sales related tax). The consideration promised in the contracts with customers are derived from fixed price contracts.

Deferred revenue comprises new centre fee and other advance consideration received from customers and a related party, student fees and ancillary fees earned in relation to the operation of the Yangon American International School. Deferred revenue is recognised as revenue when performance obligations under its contracts are satisfied.

*Rendering of services*

The Group provides security guarding, risk management, facilities management and security training services to the customer over a specified contract period. The performance obligation is satisfied over time as the customer simultaneously receives and consumes the benefits of the Group's performance in providing the security services. As the Group's efforts or inputs are expanded throughout the performance period, revenue is recognised on a straight-line basis over the specified contract period.

For certain contracts where the Group supplies security equipment and provides ad-hoc services such as journey management, revenue is recognised at point in time when goods and services are delivered.

*Technical support service fees*

Technical support service fees earned from hostel and language centres managed by the Group are recognised over time and when services are rendered with reference to the terms of the contracts.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.4 Revenue recognition (Continued)

*Management fees*

Management fees earned from hostels, engineering college and language centres managed by the Group, under long-term contracts with the owners, are recognised over time as and when services are rendered with reference to the terms of the contracts. The fees are incentive fees, which are based on the profitability of these business operations and the amount of course modules to be delivered.

*Royalty income*

Royalty income is recognised over time on an accrual basis with reference to the terms of the "Wall Street English' Centre Franchise Agreement. Royalty is determined based on the agreed royalty rate and the annual total gross revenue of the managed language centres in Myanmar.

*New centre fee*

New centre fee for the opening of new "Wall Street English" language centre in Myanmar are recognised over the exclusive rights to develop and operate for a period of 10 years.

*Students fees*

Student fees include the tuition fees and ancillary fees earned in relation to the operation of the Yangon American International School in Yangon. Tuition fees are recognised over the duration of the course and when services are rendered with reference to the terms of the contract. Ancillary fees are recognised at point in time and over time, respectively according to the delivery of the performance obligations.

### 2.5 Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated undiscounted liability for annual leave expected to be settled wholly within 12 months from the reporting date as a result of services rendered by employees up to the end of the financial year.

### 2.6 Share-based payments

The Group issues equity-settled share-based payments to certain employees.

Equity-settled share-based payments are measured at fair value of the equity instruments (excluding the effect of non-market-based vesting conditions) at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period with a corresponding credit to the share-based payment reserve, based on the Group's estimate of the number of equity instruments that will eventually vest and adjusted for the effect of non-market-based vesting conditions. At the end of each financial year, the Group revises the estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss over the remaining vesting period with a corresponding adjustment to the share-based payment reserve.

Fair value is measured using the Black-Scholes pricing model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioral considerations.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.7 Taxes

Income tax expense represents the sum of the tax currently payable and deferred tax.

*Current income tax*

The tax currently payable is based on taxable profit for the financial year. Taxable profit differs from profit reported as profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are not taxable or tax deductible. The Group's liability for current tax is recognised at the amount expected to be paid or recovered from the taxation authorities and is calculated using tax rates (and tax laws) that have been enacted or substantively enacted in countries where the Company and its subsidiaries operate by the end of the financial year.

Current income taxes are recognised in profit or loss, except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity.

*Deferred tax*

Deferred tax is recognised on all temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised on taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each financial year and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured using the tax rates expected to apply for the period when the asset is realised or the liability is settled, based on tax rate and tax law that have been enacted or substantially enacted by the end of reporting period. The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the group expects to recover or settle its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Deferred tax is recognised in profit or loss, except when it relates to items recognised outside profit or loss, in which case the tax is also recognised either in other comprehensive income or directly in equity, or where it arises from the initial accounting for a business combination. Deferred tax arising from a business combination, is taken into account in calculating goodwill on acquisition.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.7 Taxes (Continued)

*Sales tax*

Revenue, expenses and assets are recognised net of the amount of sales tax except:

- when the sales taxation that is incurred on purchase of assets or services is not recoverable from the taxation authorities, in which case the sales tax is recognised as part of cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables that are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

### 2.8 Foreign currency transactions

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency ("foreign currencies") are recorded at the rate of exchange prevailing on the date of the transaction. At the end of each financial year, monetary items denominated in foreign currencies are retranslated at the rates prevailing as of the end of the financial year. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Nonmonetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on retranslation of monetary items are included in profit or loss for the period. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity. For such non-monetary items, any exchange component of that gain or loss is also recognised directly in equity.

### 2.9 Plant and equipment

All items of plant and equipment are initially recognised at cost. The cost includes its purchase price and any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Dismantlement, removal or restoration costs are included as part of the cost if the obligation for dismantlement, removal or restoration is incurred as a consequence of acquiring or using the plant and equipment.

Subsequent expenditure on an item of plant and equipment is added to the carrying amount of the item if it is probable that future economic benefits associated with the item will flow to the Group and the cost can be measured reliably. All other costs of servicing are recognised in profit or loss when incurred.

Plant and equipment are subsequently stated at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is charged so as to write off the cost or valuation of assets, over their estimated useful lives, using the straight-line method, on the following bases:

| | | |
|---|---|---|
| Computers | : | 3 years |
| Furniture and fittings | : | 3 years |
| Motor Vehicles | : | 5 years |

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.9 Plant and equipment (Continued)

No depreciation is charged on construction-in-progress as they are not yet ready for their intended use as at the end of the reporting period.

The carrying values of plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

The estimated useful lives, residual values and depreciation methods are reviewed, and adjusted as appropriate, at the end of each financial year.

An item of plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal.

The gain or loss arising on disposal or retirement of an item of plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

### 2.10 Intangible assets

*Area development and centre fees*

An area development fee is paid for the exclusive rights to develop and operate the ‘Wall Street English’ language centre in Myanmar while the centre fee is required to be paid in respect for the opening of a new “Wall Street English” language centre in Myanmar. The area development and centre fees are capitalized and amortised over the period of 10 years from the date operation commences and when the new centre commences operations respectively.

The area development and centre fees are initially capitalized at cost and subsequently measured at cost less any accumulated amortisation and any accumulated losses.

*Set-up fee and brand licensing fee*

Set-up fee is paid for the exclusive rights to develop and operate the ‘Auston” college in Myanmar. Brand licensing fee is paid for the exclusive, irrecoverable, non-transferrable rights of use of the licenses intellectual property and trademark for the operations of the Auston college. The set-up and brand licensing fees are capitalized and amortised over the period of 10 years from the date operation commences.

The set-up and brand licensing fees are initially capitalized at cost and subsequently measured at cost less any accumulated amortisation and any accumulated losses.

*Computer software license*

Acquired computer software license is initially capitalized at cost which includes the purchase price (net of any discounts and rebates) and other directly attributable costs of preparing the software for its intended use. Direct expenditure which enhances or extends the performance of computer software beyond its specifications and which can be reliably measured is added to the original cost of the software. Costs associated with maintaining computer software are recognized as an expense is incurred.

Computer software license is subsequently carried at cost less accumulated amortisation and accumulated impairment losses. These costs are amortised to profit or loss under the straight-line method over the estimated useful lives of 3 years.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.10 Intangible assets (Continued)

*Customer-related assets (Services segment)*

Customer-related assets comprise customer contracts and customer relationship arising from business combinations and initially measured at fair value as at the date of acquisition. These assets are capitalized at fair value as at acquisition date and subsequently measured at cost less any accumulated amortisation and accumulated losses.

Amortisation is recognized in profit or loss on a straight-line basis over their estimated useful lives of 3 years.

*Goodwill (Services segment)*

Goodwill arising on the acquisition of a subsidiary or business represents the excess of the consideration transferred, the amount of any non-controlling interests in the acquiree and the acquisition date fair value of any previously held equity interest in the acquiree over the acquisition date fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary recognized at the date of acquisition.

Goodwill on subsidiary is recognized separately as intangible assets. Goodwill is initially recognized at cost and subsequently measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill is allocated to each of the Group’s cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognized for goodwill is not reversed in the subsequent period.

On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the gain or loss on disposal.

Intangible assets with finite useful lives are amortised over the estimated useful and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method are reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite useful lives is recognized in profit or loss or expected category consistent with the function of the intangible asset.

An item of intangible asset is derecognized upon disposal or when no future economic benefits are expected from its use of disposal. Any gain or loss on derecognition of the asset is included in profit or loss in the financial year the asset is derecognised.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.11 Impairment of non-financial assets

At the end of each financial year, the Group reviews the carrying amounts of its non-financial assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

The recoverable amount of an asset or cash-generating unit is the higher of its fair value less costs to sell and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

### 2.12 Financial instruments

Financial assets

The Group classifies its financial assets into one of the categories below, depending on the Group's business model for managing the financial assets as well as the contractual terms of the cash flows of the financial asset. The Group shall reclassify its affected financial assets when and only when the Group changes its business model for managing these financial assets. The Group's accounting policy for each category is as follows:

*Amortised cost*

These assets arise principally from provision of services to customers, but also incorporate other types of financial assets where the objective is to hold these assets in order to collect contractual cash flows and the contractual cash flows are solely payments of principal and interest. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment.

Impairment provisions for trade receivables are recognised based on the simplified approach within IFRS 9 using the lifetime expected credit losses. During this process, the probability of the non-payment of the trade receivables is assessed. This probability is then multiplied by the amount of the expected loss arising from default to determine the lifetime expected credit loss for the trade receivables. For trade receivables, which are reported net, such provisions are recorded in a separate provision account with the loss being presented in the consolidated statement of comprehensive income. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision.

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

2.12 Financial instruments (Continued)

Financial assets (Continued)

*Amortised cost (Continued)*

Impairment provisions for other financial assets are recognised based on a forward-looking expected credit loss model. The methodology used to determine the amount of the provision is based on whether at each reporting date, there has been a significant increase in credit risk since initial recognition of the financial asset. For those where the credit risk has not increased significantly since initial recognition of the financial asset, twelve month expected credit losses along with gross interest income are recognised. For those for which credit risk has increased significantly, lifetime expected credit losses along with the gross interest income are recognised. For those that are determined to be credit impaired, lifetime expected credit losses along with interest income on a net basis are recognised.

The Group's financial assets measured at amortised cost comprise trade and other receivables (excluding prepayment and advances for hostel operations) and cash and cash equivalents in the consolidated statement of financial position.

*Financial asset at fair value through other comprehensive income* ("FVOCI")

The Group has a strategic investment in the equity securities of an unlisted entity which is not accounted for as a subsidiary, associate or jointly controlled entity. The Group has made an irrevocable election to classify the investment at fair value through other comprehensive income rather than through profit or loss as the Group considers this measurement to be the most representative of the business model for these assets. They are carried at fair value with changes in fair value recognised in other comprehensive income and accumulated in the fair value through other comprehensive income reserve. Upon disposal, any balance within fair value through other comprehensive income reserve is reclassified directly to retained earnings
and is not reclassified to profit or loss.

Dividends are recognised in profit or loss, unless the dividend clearly represents a recovery of part of the cost of the investment, in which case the full or partial amount of the dividend is recorded against the associated investment carrying amount.

Purchases and sales of financial assets measured at fair value through other comprehensive income are recognised on settlement date with any change in fair value between trade date and settlement date being recognised in the fair value through other comprehensive income reserve.

*Derecoqnition of financial assets*

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

Financial liabilities and equity instruments

*Classification as debt or equity*

Financial liabilities and equity instruments issued by the Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

2.12 Financial instruments (Continued)

Financial liabilities and equity instruments (Continued)

*Equity instruments*

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments are recorded at the proceeds received, net of direct issue costs. The Company classifies ordinary shares as equity instruments.

*Financial liabilities*

The Group classifies all financial liabilities as subsequently measured at amortised cost.

*Trade and other payables*

Trade and other payables, are initially measured at fair value, net of transaction costs, and are subsequently measured at amortised cost, where applicable, using the effective interest method.

*Loan from ultimate holding company*

Interest-bearing loan from ultimate holding company is measured at fair value, net of transaction costs and is subsequently measured at amortised cost, using the effective interest method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of the loan is recognised over the term of the borrowings in accordance with the Group's accounting policy for borrowing costs.

Loan due from ultimate holding company is presented as non-current liabilities. The Loan Facility is repayable on demand or no later than 3 years and may be repayable earlier at the Company's discretion and bears interest at 6.0% per annum. The Company's ultimate holding company has indicated that it will not demand repayment within the next 12 months unless otherwise notified. The Company has drawn down US$3.0 million.

*Derecognition of financial liabilities*

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount and the consideration paid is recognised in profit or loss.

2.13 Cash and cash equivalents

Cash and cash equivalents comprise of cash at bank which are subject to an insignificant risk of changes in value.

2.14 Leases

As lessee

All leases are accounted for by recognising a right-of-use asset and a lease liability except for:

- leases of low value assets; and
- leases with a duration of twelve months or less.

The payments for leases of low value assets and short-term leases are recognised as an expense on a straight-line basis over the lease term.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.14 Leases (Continued)

Initial measurement

Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by reference to the rate inherent in the lease unless this is not readily determinable, in which case the Group's incremental borrowing rate on commencement of the lease is used.

Variable lease payments are only included in the measurement of the lease liability if it is depending on an index or rate. In such cases, the initial measurement of the lease liability assumes the variable element will remain unchanged throughout the lease term. Other variable lease payments are expensed in the period to which they relate.

On initial recognition, the carrying amount of lease liabilities also includes:

- amounts expected to be payable under any residual value guarantee;
- the exercise price of any purchase option granted in favour of the Group if it is reasonably certain to assess that option; and
- any penalties payables for terminating the lease, if the term of the lease has been estimated on the basis of termination option being exercised.

Right-of-use assets are initially measured at the amount of lease liabilities, reduced by any lease incentives received and increased for:

- lease payments made at or before commencement of the lease;
- initial direct costs incurred; and
- the amount of any provision recognised where the Group is contractually required to dismantle, remove or restore the leased asset.

The Group presents the right-of-use assets (excluding those which meet the definition of investment property) and lease liabilities separately from other assets and other liabilities in the consolidated statement of financial position.

Subsequent measurement

Right-of-use assets are subsequently measured at cost less any accumulated depreciation, any accumulated impairment loss and, if applicable, adjusted for any remeasurement of the lease liabilities. The right-of-use assets under cost model are depreciated on a straight-line basis over the shorter of either the remaining lease term or the remaining useful life of the right-of-use assets. If the lease transfers ownership of the underlying asset by the end of the lease term or if the cost of the right-of-use asset reflects that the Group will exercise the purchase option, the right-of-use assets are depreciated over the useful life of the underlying asset.

When the Group renegotiates the contractual terms of a lease with the lessor, the accounting treatment depends on the nature of the modification:

- If the renegotiation results in one or more additional asses being leased for an amount commensurate with the standalone price for the additional right-of-use obtained, the modification is accounted for as a separate lease in accordance with the above policy;

- In all other cases where the renegotiation increases the scope of the lease (i.e. extension to the lease term, or one or more additional assets being leased), the lease liability is remeasured using the discount rate applicable on the modification date, with the right-of-use asset being adjusted by the same amount;

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.14 Leases (Continued)

- If the renegotiation results in a decrease in scope of the lease, both the carrying amount of the lease liability and right-of-use asset are reduced by the same proportion to reflect the partial or full termination of the lease with any difference being recognised in profit or loss. The lease liability is then further adjusted to ensure its carrying amount reflects the amount of the renegotiated payments over the renegotiated term, with the modified lease payments discounted at the rate applicable on the modification date. The right-of-use asset is adjusted by the same amount.

For lease contracts that convey a right to use an identified asset and require services to be provided by the lessor, the Group has elected to account for the entire contract as a lease. The Group does not allocate any amount of contractual payments to, and account separately for, any services provided by the lessor as part of the contract.

When the Group renegotiates the contractual terms of a lease with the lessor, the accounting treatment depends on the nature of the modification:

- If the renegotiation results in one or more additional asses being leased for an amount commensurate with the standalone price for the additional right-of-use obtained, the modification is accounted for as a separate lease in accordance with the above policy;

- In all other cases where the renegotiation increases the scope of the lease (i.e. extension to the lease term, or one or more additional assets being leased), the lease liability is remeasured using the discount rate applicable on the modification date, with the right-of-use asset being adjusted by the same amount;

- If the renegotiation results in a decrease in scope of the lease, both the carrying amount of the lease liability and right-of-use asset are reduced by the same proportion to reflect the partial or full termination of the lease with any difference being recognised in profit or loss. The lease liability is then further adjusted to ensure its carrying amount reflects the amount of the renegotiated payments over the renegotiated term, with the modified lease payments discounted at the rate applicable on the modification date. The right-of-use asset is adjusted by the same amount.

For lease contracts that convey a right to use an identified asset and require services to be provided by the lessor, the Group has elected to account for the entire contract as a lease. The Group does not allocate any amount of contractual payments to, and account separately for, any services provided by the lessor as part of the contract.

**Accounting policy prior to 1 January 2019**

Operating leases

Rentals payable under operating leases (net of any incentives received from lessors) are charged to profit or loss on a straight-line basis over the term of the relevant lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.15 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the financial year, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably. The increase in the provision due to the passage of time is recognised in the statement of comprehensive income as finance expense. Changes in the estimated timing or amount of the expenditure or discount rate are recognised in profit or loss when the changes arise.

## 3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 2 to the financial statements, management made judgements, estimates and assumptions about the carrying amounts of assets and liabilities that were not readily apparent from other sources. The estimates and associated assumptions were based on historical experience and other factors that were considered to be reasonable under the circumstances. Actual results may differ from these estimates.

These estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

### 3.1 Critical judgements made in applying the entity's accounting policies

The following are the critical judgments, apart from those involving estimations (see below) that management has made in the process of applying the Group's accounting policies and which have a significant effect on the amounts recognised in the financial statements.

*Evaluation of control over managed hostels, engineering college and language centres*

Management has assessed if the management contracts with the owners of hostels and language centres provide the Company control over the hostels and language centres operations which would require the hostels and language centres operations to be consolidated under IFRS 10. Management has determined that the Group does not control the underlying businesses or assets as the hostels and language centres are owned by and licensed to their respective owners. The management arrangement is common in the leisure and hospitality sector and does not indicate control of the business or assets.

## 3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

3.2 Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the financial year, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

*(a) Loss allowance for trade and other receivables*

The Group determines the expected loss arising from default for third party trade receivables, by categorizing them based on its historical loss pattern and historical payment profile as well as credit risk profile of customers. There was no significant exposure to the expected credit loss on the third parties trade receivables based on the simplified approach. Accordingly, no loss allowance was recognized as at 31 March 2020.

For trade and other receivables arising from related parties, the Group reviewed information available internally for the past, current and expected operating performance and cash flow position. Counterparties are monitored and assessed at each reporting date on any indicator of significant increase in credit risk. The Group measured the impairment loss allowance using lifetime ECL and determined that the ECL is insignificant.

Notwithstanding the above, the Group evaluates the expected credit loss on counterparts in financial difficulties separately. Other receivables due from counterparts amounting to US$280,327 have been impaired since the prior years.

The carrying amount of the Company's trade and other receivables are disclosed in Note 13.

(b) *Impairment of* goodwill

Management performs impairment test on goodwill on an annual basis and whenever there is indication of impairment. The process of evaluating the potential impairment of goodwill is subjective and requires significant judgement. The carrying values of the cash generating units are then compared against the recoverable amounts using value-in- use. Any excess of the carrying values over the discounted future cash flows are recognised as impairment loss in profit or loss.

The Group's carrying amount of goodwill as at 31 March 2020 is disclosed in Note 10 to the financial statements.

## 3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

(c) *Measurement of lease liabilities*

Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term. The Group has determined the discount rate by reference to the lessee's incremental borrowing rate when the rate inherent in the lease is not readily determinable. The Group obtains the relevant market interest rate after considering the applicable geographical location where the lessee operates as well as the term of the lease. Management considers its own credit spread information from its recent borrowings, industry data available as well as any security available in order to adjust the market interest rate obtained from similar economic environment, term and value of the lease.

The weighted average incremental borrowing rate applied to lease liabilities as at 31 March 2020 was 6%. The carrying amount of lease liabilities as at 31 March 2020 was $3,025,411. If the incremental borrowing rate had been 0.5% higher or lower than management's estimates, the Group's lease liabilities would have been lower or higher by $77,000.

## 4 REVENUE

*Disaggregation of revenue*

The Group has disaggregated revenue into various categories in the following table which is intended to:

- depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors; and
- enable users to understand the relationship with revenue segment information provided in Note 22 to the financial statements.

## 4 REVENUE (Continued)

*Disaggregation of revenue*

| | Hospitality | | | | Education | | | |
|---|---|---|---|---|---|---|---|---|
| | Unaudited 6 months ended 31 March 2020 | Unaudited 6 months ended 31 March 2019 | Unaudited 12 months ended 31 March 2020 | Audited Year ended 31 March 2019 | Unaudited 6 months ended 31 March 2020 | Unaudited 6 months ended 31 March 2019 | Unaudited 12 months ended 31 March 2020 | Audited Year ended 31 March 2019 |
| | US$ | US$ | US$ | US$ | US$ | US$ | US$ | US$ |
| Rendering of services | - | - | - | - | - | - | - | - |
| Technical support service fees | 45,000 | 15,000 | 135,000 | 105,000 | 172,056 | 182,478 | 328,995 | 306,550 |
| Management fees | - | - | - | - | 193,679 | 208,763 | 487,369 | 329,085 |
| Student fee | - | - | - | - | 284,165 | - | 360,673 | - |
| Royalty fee | - | - | - | - | 124,481 | 55,189 | 243,439 | 232,435 |
| New centre fees | - | - | - | - | 3,750 | - | 7,500 | 6,667 |
| | 45,000 | 15,000 | 135,000 | 105,000 | 778,131 | 446,430 | 1,427,976 | 874,737 |
| Timing of transfer of services | | | | | | | | |
| Point in time | - | - | - | - | - | - | - | - |
| Over time | 45,000 | 15,000 | 135,000 | 105,000 | 778,131 | 446,430 | 1,427,976 | 874,737 |
| | 45,000 | 15,000 | 135,000 | 105,000 | 778,131 | 446,430 | 1,427,976 | 874,737 |

## 4 REVENUE (Continued)

*Disaggregation of revenue* (Continued)

| | Security | | | | Total | | | |
|---|---|---|---|---|---|---|---|---|
| | Unaudited 6 months ended 31 March 2020 | Unaudited 6 months ended 31 March 2019 | Unaudited 12 months ended 31 March 2020 | Audited Year ended 31 March 2019 | Unaudited 6 months ended 31 March 2020 | Unaudited 6 months ended 31 March 2019 | Unaudited 12 months ended 31 March 2020 | Audited Year ended 31 March 2019 |
| | US$ | US$ | US$ | US$ | US$ | US$ | US$ | US$ |
| Rendering of services | 1,957,985 | 2,123,145 | 3,790,492 | 3,445,155 | 1,957,985 | 2,123,145 | 3,790,492 | 3,445,155 |
| Technical support service fees | - | - | - | - | 217,056 | 197,478 | 463,995 | 411,550 |
| Management fees | - | - | - | - | 193,679 | 208,763 | 487,369 | 329,085 |
| Student fee | - | - | - | - | 284,165 | - | 360,673 | - |
| Royalty fee | - | - | - | - | 124,481 | 55,189 | 243,439 | 232,435 |
| New centre fees | - | - | - | - | 3,750 | - | 7,500 | 6,667 |
| | 1,957,985 | 2,123,145 | 3,790,492 | 3,445,155 | 2,781,116 | 2,584,575 | 5,353,468 | 4,424,892 |
| Timing of transfer of services | | | | | | | | |
| Point in time | 179,836 | 143,328 | 308,887 | 243,174 | 179,836 | 143,328 | 308,887 | 243,174 |
| Over time | 1,778,149 | 1,979,817 | 3,481,605 | 3,201,981 | 2,601,280 | 2,441,247 | 5,044,581 | 4,181,718 |
| | 1,957,985 | 2,123,145 | 3,790,492 | 3,445,155 | 2,781,116 | 2,584,575 | 5,353,468 | 4,424,892 |

## 4 REVENUE (Continued)

| | 31-March-20 | 31-March-19 |
|---|---|---|
| | US$ | US$ |
| Deferred revenue | | |
| Analysed as: | | |
| Current | 385,472 | 173,692 |
| Non-current | 245,795 | 57,291 |
| | **631,267** | **230,983** |

The non-current deferred revenue relates to student fees and ancillary fees earned in relation to the Yangon American International School and new centre fee which will be recognized over the remaining exclusive rights to develop and operate ranging from 7 to 9 years.

Significant changes in deferred revenue during the reporting period are as detailed below:

| | 31-March-20 | 31-March-19 |
|---|---|---|
| | US$ | US$ |
| **At beginning of period** | 230,983 | - |
| Effect of transition to IFRS 15 | - | 46,458 |
| Cash received in advance of performance | 1,165,612 | 305,692 |
| Amount recognized as revenue | (765,328) | (121,167) |
| **At end of period** | **631,267** | **230,983** |

## 5 OTHER INCOME

| | Unaudited 6 months ended 31 March 2020 | Unaudited 6 months ended 31 March 2019 | Unaudited 12 months ended 31 March 2020 | Audited Year ended 31 March 2019 |
|---|---|---|---|---|
| | US$ | US$ | US$ | US$ |
| Foreign exchange gain, net | - | (1,257) | 10,103 | 1,170 |
| Interest income from bank deposits | 93 | 1,178 | 275 | 2,099 |
| Others | - | - | 8,173 | - |
| Gain on liquidation of a subsidiary | - | 1,663 | - | 1,663 |
| | **93** | **1,584** | **18,551** | **4,932** |

## 6 EMPLOYEE BENEFITS EXPENSE

| | Unaudited 6 months ended 31 March 2020 | Unaudited 6 months ended 31 March 2019 | Unaudited 12 months ended 31 March 2020 | Audited Year ended 31 March 2019 |
|---|---|---|---|---|
| | US$ | US$ | US$ | |
| Salaries and bonus* | 2,433,931 | 2,275,508 | 4,553,346 | 3,649,126 |
| Contributions to defined contribution plans | 27,374 | 41,826 | 53,469 | 59,289 |
| Share-based compensation | 96,041 | 133,479 | 214,495 | 138,675 |
| | **2,557,346** | **2,450,813** | **4,821,310** | **3,847,090** |

*Included in these expenses are Director's fees and remuneration as disclosed in Note 21 to the financial statements.

## 7 FINANCE COST

| | Unaudited 6 months ended 31 March 2020 | Unaudited 6 months ended 31 March 2019 | Unaudited 12 months ended 31 March 2020 | Audited Year Ended 31 March 2019 |
|---|---|---|---|---|
| | US$ | US$ | US$ | US$ |
| Interest expenses on: | | | | |
| - Lease liabilities | 142,654 | - | 240,599 | - |
| - Loan from ultimate holding company | 78,124 | - | 108,342 | - |
| | **220,778** | **-** | **348,941** | **-** |

## 8 LOSS BEFORE INCOME TAX

In addition to the charges and credits disclosed elsewhere in the financial statements, the loss before income tax includes the following charges:

| | Unaudited 6 months ended 31 March 2020 | Unaudited 6 months ended 31 March 2019 | Unaudited 12 months ended 31 March 2020 | Audited Year ended 31 March 2019 |
|---|---|---|---|---|
| | US$ | US$ | US$ | US$ |
| Professional fees | 230,035 | 407,415 | 534,489 | 894,816 |
| Royalty expenses | 140,110 | 130,415 | 256,617 | 248,300 |
| Rental of offices | 73,028 | 203,452 | 152,713 | 263,447 |
| Annual listing expenses | 72,114 | 81,099 | 152,175 | 175,743 |
| Cleaning expenses | 13,528 | - | 27,246 | - |
| Travelling expenses | 41,806 | 63,220 | 122,958 | 130,631 |
| Security expenses | 25,697 | - | 41,247 | - |
| Marketing expenses | 21,756 | 24,817 | 113,859 | 34,337 |
| Software license and subscription fees | 16,515 | - | 30,521 | - |
| Short term lease of motor vehicles | 117,031 | 168,319 | 269,017 | 291,098 |

## 8 LOSS BEFORE INCOME TAX (Continued)

| | Unaudited 6 months ended 31 March 2020 | Unaudited 6 months ended 31 March 2019 | Unaudited 12 months ended 31 March 2020 | Audited Year ended 31 March 2019 |
|---|---|---|---|---|
| | US$ | US$ | US$ | US$ |
| Hostel related operating expense | - | 313,070 | 201,030 | 328,186 |
| Impairment loss on financial assets | - | 28,657 | - | 28,657 |
| Academic expenses | 12,839 | - | 23,726 | - |
| Plant and equipment written off | 39,396 | 19,801 | 44,959 | 19,801 |

## 9 PLANT AND EQUIPMENT

| | Computers | Furniture and fittings | Motor vehicle | Construction-in-progress | Total |
|---|---|---|---|---|---|
| | US$ | US$ | US$ | US$ | US$ |
| **Cost** | | | | | |
| **At 1 April 2018** | **16,808** | **20,777** | **-** | **-** | **37,585** |
| Acquisition of subsidiaries | 47,071 | 20,676 | 53,627 | - | 121,374 |
| Additions | 9,348 | 95,261 | 40,243 | - | 144,852 |
| Disposal | (1,239) | - | - | - | (1,239) |
| **At 30 September 2018** | **71,988** | **136,714** | **93,870** | **-** | **302,572** |
| Additions | 34,069 | - | - | 323,595 | 357,664 |
| Adjustment | - | (22,237) | - | - | (22,237) |
| Reclassification | (47,071) | 47,071 | - | - | - |
| Write-off | - | (39,389) | - | - | (39,389) |
| **At 31 March 2019** | **58,986** | **122,159** | **93,870** | **323,595** | **598,610** |
| Addition | 49,548 | 178,709 | - | 209,691 | 437,948 |
| Reclassification | 12,000 | 520,800 | - | (532,800) | - |
| Adjustment | - | (9,318) | - | - | (9,318) |
| Disposal | (1,316) | - | - | - | (1,316) |
| Write-off | - | (15,393) | - | - | (15,393) |
| **At 30 September 2019** | **119,218** | **796,957** | **93,870** | **486** | **1,010,531** |
| Additions | 4,334 | 15,749 | - | 21,933 | 42,016 |
| Adjustment | - | - | (4,564) | - | (4,564) |
| Write off | - | (1,946) | (49,063) | - | (51,009) |
| **At 31 March 2020** | **123,552** | **810,760** | **40,243** | **22,419** | **996,974** |

## 9 PLANT AND EQUIPMENT (Continued)

| | Computers | Furniture and fittings | Motor vehicle | Construction -in-progress | Total |
|---|---|---|---|---|---|
| | US$ | US$ | US$ | US$ | US$ |
| **Accumulated depreciation** | | | | | |
| **At 1 April 2018** | **6,306** | **14,076** | **-** | **-** | **20,382** |
| Depreciation | 10,471 | 5,459 | 4,011 | - | 19,941 |
| Disposal | (224) | - | - | - | (224) |
| **At 30 September 2018** | **16,553** | **19,535** | **4,011** | **-** | **40,099** |
| Depreciation | 1,430 | 32,172 | 7,941 | - | 41,543 |
| Write-off | - | (19,588) | - | - | (19,588) |
| **At 31 March 2019** | **17,983** | **32,119** | **11,952** | **-** | **62,054** |
| Depreciation | 15,477 | 77,735 | 8,932 | - | 102,144 |
| Disposal | (110) | - | - | - | (110) |
| Write-off | - | (9,830) | - | - | (9,830) |
| **At 30 September 2019** | **33,350** | **100,024** | **20,884** | **-** | **154,258** |
| Depreciation | 19,233 | 135,269 | 7,296 | - | 161,798 |
| Write off | - | (1,800) | (9,813) | - | (11,613) |
| Adjustment | - | - | (4,564) | - | (4,564) |
| **At 31 March 2020** | **52,583** | **233,493** | **13,803** | **-** | **299,879** |
| **Net carrying amount** | | | | | |
| **At 30 September 2018** | **55,435** | **117,179** | **89,859** | **-** | **262,473** |
| **At 31 March 2019** | **41,003** | **90,040** | **81,918** | **323,595** | **536,556** |
| **At 30 September 2019** | **85,868** | **696,933** | **72,986** | **486** | **856,273** |
| **At 31 March 2020** | **70,969** | **577,267** | **26,440** | **22,419** | **697,095** |

## 10 INTANGIBLE ASSETS

| | Area development fees | Computer software | Brand /Licensing fees | Opening/ Set up fees | Customer List | Goodwill | Total |
|---|---|---|---|---|---|---|---|
| | US$ | US$ | US$ | US$ | US$ | US$ | US$ |
| **Cost** | | | | | | | |
| **At 1 April 2018** | **150,000** | **20,000** | **-** | **-** | **-** | **-** | **170,000** |
| Acquisition of subsidiaries | - | - | 20,212 | - | 357,802 | 1,283,915 | 1,661,929 |
| Additions | - | - | 10,000 | 80,000 | - | - | 90,000 |
| **At 30 September 2018** | **150,000** | **20,000** | **30,212** | **80,000** | **357,802** | **1,283,915** | **1,921,929** |
| Additions | 50,000 | - | 30,000 | (80,000) | - | - | - |
| Reclassifications | | 20,212 | (20,212) | - | (83,889) | 155,075 | 71,186 |
| Write-off | - | (4,725) | - | - | - | - | (4,725) |
| **At 31 March 2019** | **200,000** | **35,487** | **40,000** | **-** | **273,913** | **1,438,990** | **1,988,390** |
| Additions | - | 19,703 | - | - | - | - | 19,703 |
| **At 30 September 2019** | **200,000** | **55,190** | **40,000** | **-** | **273,913** | **1,438,990** | **2,008,093** |
| Additions | - | - | - | - | - | - | - |
| **As at 31 March 2020** | **200,000** | **55,190** | **40,000** | **-** | **273,913** | **1,438,990** | **2,008,093** |
| | | | | | | | |
| **Accumulated amortisation** | | | | | | | |
| **At 1 April 2018** | **17,500** | **7,778** | **-** | **-** | **-** | **-** | **25,278** |
| Amortisation | 7,500 | 3,333 | 4,684 | 2,333 | 44,973 | - | 62,823 |
| **At 30 September 2018** | **25,000** | **11,111** | **4,684** | **2,333** | **44,973** | **-** | **88,101** |
| Reclassifications | 833 | 4,184 | (2,684) | (2,333) | - | - | - |
| Amortisation | 10,000 | 9,249 | 2,000 | - | 44,157 | - | 65,406 |
| Write-off | - | (4,725) | - | - | - | - | (4,725) |
| **At 31 March 2019** | **35,833** | **19,819** | **4,000** | **-** | **89,130** | **-** | **148,782** |
| Amortisation | 10,000 | 8,232 | 2,000 | - | 45,652 | - | 65,884 |
| **At 30 September 2019** | **45,833** | **28,051** | **6,000** | **-** | **134,782** | **-** | **214,666** |
| Amortisation | 10,000 | 8,809 | 2,001 | - | 41,740 | - | 62,550 |
| **At 31 March 2020** | **55,833** | **36,860** | **8,001** | **-** | **176,522** | **-** | **277,216** |
| | | | | | | | |
| **Net carrying amount** | | | | | | | |
| **At 30 September 2018** | **125,000** | **8,889** | **25,528** | **77,667** | **312,829** | **1,283,915** | **1,833,828** |
| **At 31 March 2019** | **164,167** | **15,668** | **36,000** | **-** | **184,783** | **1,438,990** | **1,839,608** |
| **At 30 September 2019** | **154,167** | **27,139** | **34,000** | **-** | **139,131** | **1,438,990** | **1,793,427** |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| **At 31 March 2020** | **144,167** | **18,330** | **31,999** | **-** | **97,391** | **1,438,990** | **1,730,877** |

## 11 RIGHT OF USE ASSETS

| | Total |
|---|---|
| | US$ |
| **Cost** | |
| **At 1 April 2019** | - |
| Adoption of IFRS 16 | 3,651,192 |
| **At 30 Sep 2019** | 3,651,192 |
| **At 31 March 2020** | 3,651,192 |
| | |
| **Accumulated amortization** | |
| **At 1 April 2019** | - |
| Amortisation | 187,241 |
| **At 30 Sep 2019** | 187,341 |
| Amortisation | 187,240 |
| **At 31 March 2020** | 374,481 |
| | |
| **Net carrying amount** | |
| **At 31 Sep 2020** | 3,463,951 |
| **At 31 March 2020** | 3,276,711 |

The Group has a 5-year lease agreement for its international school building, including a 2 years non-cancellable period, with an option to renew for another additional 5 years at prevailing market rates.

## 12 FINANCIAL ASSET AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (“FVOCI”)

On 21 May 2018, the Group acquired a minority equity interest in Nex Technology Pte Ltd, a digital consulting firm trading as NEXLABS, for a total cash consideration of US$150,000.

*Fair value of financial instruments carried at fair value*

The Group is exposed to fair value fluctuation arising from equity investment classified as financial assets at FVOCI held for strategic rather than trading purposes. As at reporting date, the effect of a 20% increase/(decrease) in the fair value of the unquoted equity security with all other variables held constant, the Group’s fair value reserve would have been higher/(lower) by US$30,000 (2019: US$NIL)

## 13 TRADE AND OTHER RECEIVABLES

| | Unaudited<br>As at<br>31 March 2020<br>US$ | Audited<br>As at<br>31 March 2019<br>US$ |
|---|---|---|
| Trade receivables | | |
| Third parties | 489,395 | 548,705 |
| Related party | 769,404 | 545,265 |
| Total trade receivables | 1,258,799 | 1,093,970 |
| | | |
| Other receivables | | |
| Third parties | 477,915 | 392,609 |
| Less: Allowance for impairment | (280,327) | (280,327) |
| | 197,588 | 112,282 |
| Related parties | 3,048,893 | 2,532,443 |
| Prepayments | 199,521 | 300,482 |
| Advances for hotel operations | 84,365 | 87,064 |
| Deposits | 74,978 | 27,987 |
| Sundry receivables | 6,105 | 12,419 |
| Total other receivables | 3,611,450 | 3,072,677 |
| **Total trade and other receivables** | **4,870,249** | **4,166,647** |
| | | |
| Total trade and other receivables (excluding prepayments and advances for hotel operations) | 4,586,363 | 3,779,101 |
| Add: Cash and cash equivalents (Note 14) | 238,327 | 777,847 |
| Total financial assets carried at amortised cost | 4,824,690 | 4,556,948 |

***Trade and other receivables***

Trade receivables are non-interest bearing and are generally on 15 to 60 (31 March 2019: 15 to 60) days credit term. They are measured at their original invoice amounts which represent their fair value on initial recognition.

Included in the amount due from related party of US$769,404 (31 March 2019: US$545,265) is due from a Company where a Director of the subsidiaries have beneficial interests.

***Other receivables***

Amount due from related parties are non-trade in nature, unsecured, interest-free and are repayable on demand.

Included in the amount due from related parties of US$3,048,893 (31 March 2019: US$2,532,443) is due from a Company where a Director of the subsidiaries have beneficial interests.

## 14 CASH AND CASH EQUIVALENTS

| | Unaudited As at 31 March 2020 US$ | Audited As at 31 March 2019 US$ |
|---|---|---|
| Cash at bank | 221,545 | 758,535 |
| Cash on hand | 16,782 | 19,312 |
| | **238,327** | **777,847** |

Cash at bank earns interest at floating rates based on daily bank deposit rates.

## 15 TRADE AND OTHER PAYABLES

| | Unaudited As at 31 March 2020 US$ | Audited As at 31 March 2019 US$ |
|---|---|---|
| Trade payables | | |
| Third party | 117,514 | 75,610 |
| Accrued royalty expenses | 46,386 | 16,754 |
| Total trade payables | 163,900 | 92,364 |
| Other payables | | |
| Accruals | 488,990 | 618,623 |
| Third parties | 146,184 | 68,599 |
| Ultimate holding company | 112,552 | 4,180 |
| Total other payables | 747,726 | 691,402 |
| **Total trade and other payables** | **911,626** | **783,766** |
| Add: Loan from ultimate holding company (Note 16) | 3,000,000 | - |
| Add: Lease liabilities (Note 17) | 3,025,411 | - |
| **Total financial liabilities carried at amortised cost (Note 23)** | **6,937,037** | **-** |

***Trade payables***

Trade payable amount due to third party is unsecured, non-interest bearing and is on 15 to 45 (31 March 2019: 15 to 45) days credit term.

***Other payables***

The non-trade amount due to third parties and ultimate holding company is non-trade in nature, unsecured, interest-free and repayable on demand.

## 16 LOAN FROM ULTIMATE HOLDING COMPANY

The Company has secured a Loan Facility of up to US$7.0 million with its ultimate holding company. As at 31 March 2020, the Company has drawn down US$3.0 million. The Loan Facility has a tenure of up to three years, may be repayable earlier at the Company's discretion and will have an interest rate of 6.0% per annum. The Loan Facility has been put in place to enable the Company to finance new investment opportunities and as part of the Group's ongoing working capital requirements.

## 17 LEASE LIABILITIES

| | Total<br>US$ |
|---|---|
| **Group** | |
| At 1 April 2019 | |
| - Effect of transition to IFRS 16 | 3,504,812 |
| | 3,504,812 |
| Additions | - |
| Interest expense | 97,945 |
| Lease payments | |
| - Principal portion | (142,055) |
| - Interest portion | (97,945) |
| At 31 Sep 2019 | 3,362,757 |
| Additions | - |
| Interest expense | 142,654 |
| Lease payments | |
| - Principal portion | (337,346) |
| - Interest portion | (142,654) |
| **At 31 March 2020** | **3,025,411** |

| | Unaudited<br>As at<br>31 March 2020<br>US$ | Audited<br>As at<br>31 March 2019<br>US$ |
|---|---|---|
| **Maturity Analysis** | | |
| Within a year | 480,000 | - |
| Between two and five years | 1,920,000 | - |
| Between six and nine years | 1,440,000 | - |
| Total lease payment | 3,840,000 | - |
| Less: future interest expense | (814,589) | - |
| Present value of lease liabilities | 3,025,411 | - |
| Presented in consolidated statement of financial position | | |
| - Non-current | 2,719,735 | - |
| - Current | 305,676 | - |
| | 3,025,411 | - |

The Group leases an international school for a period of 5 years, inclusive of a reasonably certain option to renew of 5 years. It is customary for lease contract to provide payment to increase each year by inflation, to be reset periodically to market rental rates or fixed payments. The lease liabilities exclude variable rent payments ranging from 3.0% to 4.0% per annum of the annual gross student fees revenue from tuition fees earned by the Project over the rental period.

As at reporting date, the incremental borrowing rate applied for the lease is 6% per annum.

## 18 SHARE CAPITAL

*Issued and fully paid ordinary shares*

| | Unaudited As at 31 March 2020 | | Audited As at 31 March 2019 | |
|---|---|---|---|---|
| | No. of shares | US$ | No. of shares | US$ |
| **Ordinary shares** | | | | |
| At beginning of financial period/year | 2,478,041 | 14,016,058 | 2,317,133 | 10,746,042 |
| Shares issued during the financial period/year | - | - | 160,908 | 3,270,016 |
| At end of financial period/year | 2,478,041 | 14,016,058 | 2,478,041 | 14,016,058 |

On 29 May 2018, the Company issued 7,408 ordinary shares at US$27 per share as part of the purchase consideration of EXERA Group, representing fair value of US$200,016.

On 31 May 2018, issuance of 153,500 ordinary shares to a group of existing and new shareholders were at US$20 per share for a total cash consideration of US$3,070,000.

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares have no par value and carry one vote per share without restriction.

## 19 RESERVES AND ACCUMULATED LOSSES

i) Equity reserves

Equity reserve which represents the effects of changes in ownership interests in subsidiaries when there is no change in control.

ii) Accumulated losses

Accumulated losses represents all other net gains and losses and transactions with owners not recognised elsewhere.

iii) Share option reserve

Share options reserve which represents the equity-settled share options granted to employees (Note 6). The reserve is made up of the cumulative value of services received from employees recorded over the vesting period commencing from the grant date of equity-settled share options, and is reduced by the forfeiture of the share options.

No share options were exercisable during the current and previous financial years.

## 20 LOSS PER SHARE

Basic loss per share is calculated by dividing the loss for the financial period/year attributable to owners of the parent by the weighted average number of ordinary shares outstanding during the financial period/year.

| | **Unaudited 6 months ended 31 March 2020** | **Unaudited 6 months ended 31 March 2019** | **Unaudited 12 months ended 31 March 2020** | **Audited Year ended 31 March 2019** |
|---|---|---|---|---|
| Loss for the financial period/year attributable to owners of the Company (US$) | (1,595,003) | (1,612,761) | (3,273,616) | (2,534,646) |
| Weighted average number of ordinary shares during the financial period/year applicable to basic loss per share | 1,242,415 | 1,235,626 | 2,491,619 | 2,453,229 |
| Basic and diluted | (1.28) | (1.31) | (1.31) | (1.03) |

In the current and previous financial periods, diluted loss per share is the same as the basic loss per share because the dilutive potential ordinary shares to be exercised are anti-dilutive as the effect of the shares conversion would be to decrease the loss per share.

## 21 SIGNIFICANT RELATED PARTY TRANSACTIONS

During the financial period/year, in addition to the information disclosed elsewhere in these financial statements, the Group entered into the following significant transactions with related parties at rates and terms agreed between the parties:

| | Unaudited Year ended 31 March 2020 US$ | Audited Year ended 31 March 2019 US$ |
|---|---|---|
| **With related parties*:** | | |
| - Technical support service fees | 328,995 | 306,550 |
| - Management fee | 229,869 | 239,585 |
| - Royalty fee | 229,869 | 214,585 |
| - Advances to | 552,043 | 770,811 |
| **With a Director of the subsidiaries:** | | |
| - Professional fees | 93,000 | 108,000 |

**Related parties refer to entities where a Director of the subsidiaries have beneficial interests.*

***Key management personnel remuneration***

Key management personnel are those persons having the authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly. The Group's key management personnel are the Directors of the Company and its subsidiaries.

The remuneration of Directors of the Company and its subsidiaries during the financial period/year are as follows:

| | Unaudited Year ended 31 March 2020 US$ | Audited Year ended 31 March 2019 US$ |
|---|---|---|
| Short-term benefits | 384,342 | 429,398 |
| Post-employment benefits | 14,881 | 12,281 |
| Other staff benefits | 27,522 | 16,835 |
| Share-based compensation | 92,249 | 102,923 |
| | 518,994 | 561,437 |

## 22 SEGMENT INFORMATION

Management has determined the operating segment based on the reports reviewed by the chief operating decision maker. For management purposes, the Group is organised into business units based on its products and services, and has four reportable operating segments as follows:

a) Hospitality – Provision of consultancy, advisory and project management services in leisure and hospitality sectors in Myanmar;

b) Education – Provision of consultancy, advisory and project management services in the education sector and operation of an international school in Myanmar;

c) Services – Provision of consultancy, advisory and project management services in the service sector in Myanmar, focusing initially on security and facility management services; and

d) Others – Corporate services to provide management and marketing support to respective entities of the Group.

Management monitors the operating results of the segments separately for the purposes of making decisions about resources to be allocated and assessing performance. Segment performance is evaluated based on operating profit or loss which is similar to the accounting profit or loss.

Income taxes are managed by the management of respective entities within the Group.

The accounting policies of the operating segments are the same as those described in the summary of significant accounting policies. There is no asymmetrical allocation to reportable segments. Management evaluates performance on the basis of profit or loss from operations before income tax expense not including non-recurring gains and losses and foreign exchange gains or losses. There is no change from prior periods in the measurement methods used to determine reported segment profit or loss.

Segment assets comprise primarily of plant and equipment, intangible assets, trade and other receivables and cash and cash equivalent.

Segment liabilities comprise trade and other payables, deferred revenue and deferred tax liabilities.

| 2020 | Hospitality US$ | Education US$ | Services US$ | Others US$ | Total US$ |
|---|---|---|---|---|---|
| Revenue | 135,000 | 1,427,976 | 3,790,492 | - | 5,353,468 |
| Cost of services and royalties | (201,030) | (334,524) | (2,834,327)* | - | (3,369,881) |
| One-off expenses pursuant to the deal-related expenses and loss on write-off | - | - | (44,959) | (50,078) | (95,037) |
| Other expenses | (216,687) | (2,586,653)# | (1,006,393) | (1,380,091)** | (5,189,824) |
| Interest income | 16 | 30 | 8 | 221 | 275 |
| Segment loss | (282,701) | (1,493,171)^ | (95,179) | (1,429,948) | (3,300,999) |
| Income tax (benefit)/expense | (52) | - | 21,070 | - | 21,018 |
| Loss for the year | (282,753) | (1,493,171) | (74,109) | (1,429,948) | (3,279,981) |
| Other non-cash items: | | | | | |
| Depreciation of plant and equipment | (24,264) | (207,375) | (31,766) | (536) | (263,942) |
| Depreciation of right-of-use asset | - | (374,481) | - | - | (374,481) |
| Amortisation of intangible assets | - | (33,629) | (94,804) | - | (128,433) |
| Plant and equipment written off | - | - | (44,959) | - | (44,959) |

## 22 SEGMENT INFORMATION (Continued)

| **2020** (Continued) | **Hospitality** US$ | **Education** US$ | **Services** US$ | **Others** US$ | **Total** US$ |
|---|---|---|---|---|---|
| **Assets** | | | | | |
| Segment assets | 333,719 | 8,072,987 | 2,318,776 | 237,777 | 10,963,259 |
| Included in segment assets: | | | | | |
| Additions to non-current assets | 1,167 | 4,111,585 | 38,117 | - | 4,150,869 |
| **Liabilities** | | | | | |
| Segment liabilities | 11,822 | 3,983,034 | 263,684 | 3,334,112 | 7,592,652 |

* Cost of services and royalties from "Services" segment comprise mainly employee benefits amounting to US$2,353,061 for the financial year ended 31 March 2020.

# Other expenses from the 'Education' segment comprise mainly employee benefit expenses and royalty fee expense amounting to US$1,094,250 and US$256,617, respectively for the financial period ended 31 March 2020.

** Other expenses from the 'Others' segment comprise mainly employee benefit expense and expenses pursuant to the ongoing listing amounting to US$472,830 and US$152,175, respectively for financial period ended 31 March 2020.

^ The loss from the 'Education' segment includes the loss from Yangon American International School amounting to US$1,567,224 for the financial year ended 31 March 2020.

| **2019** | **Hospitality** US$ | **Education** US$ | **Services** US$ | **Others** US$ | **Total** US$ |
|---|---|---|---|---|---|
| Revenue | 105,000 | 874,737 | 3,445,155 | - | 4,424,892 |
| Cost of services and royalties | (328,186) | (252,938) | (2,500,315)* | - | (3,081,439) |
| Transaction cost for acquisitions | - | - | (146,449) | (154,258) | (300,707) |
| Other expenses | (54,065) | (893,097)** | (1,080,584) | (1,583,993) # | (3,611,739) |
| Interest income | 29 | 82 | 919 | 1,069 | 2,099 |
| Segment loss | (277,222) | (271,216) | (281,274) | (1,737,182) | (2,566,894) |
| Income tax credit | (1,262) | - | 31,592 | - | 30,330 |
| Loss for the year | (278,484) | (271,216) | (249,682) | (1,737,182) | (2,536,564) |
| Other non-cash items: | | | | | |
| Depreciation of plant and equipment | (17,748) | (11,024) | (31,432) | (1,280) | (61,484) |
| Amortisation of intangible assets | - | (29,000) | (99,229) | - | (128,229) |
| Impairment loss of financial asset | (17,677) | (8,819) | (2,161) | - | (28,657) |
| Plant and equipment written off | - | - | (19,801) | - | (19,801) |

## 22 SEGMENT INFORMATION (Continued)

| **2019 (Continued)** | **Hospitality** US$ | **Education** US$ | **Services** US$ | **Others** US$ | **Total** US$ |
|---|---|---|---|---|---|
| **Assets** | | | | | |
| Segment assets | 241,568 | 4,144,364 | 2,541,934 | 542,792 | 7,470,658 |
| Included in the segment assets: | | | | | |
| Additions to non-current assets | 72,755 | 488,628 | 8,461 | 435 | 570,279 |
| Additions to non-current assets from acquisition of subsidiaries | - | - | 1,854,489 | - | 1,854,489 |
| **Liabilities** | | | | | |
| Segment liabilities | 228,410 | 212,195 | 280,571 | 339,769 | 1,060,945 |

* Cost of services and royalties from “Services” segment comprise mainly employee benefits amounting to US$2,046,899 for the financial year ended 31 March 2019.

** Other expenses from the “Education” segment include US$361,687 pre-opening operating losses in relation to Yangon American.

# Other expenses from the 'Others' segment comprise mainly employee benefit expense and expenses pursuant to the ongoing listing amounting to US$541,073 and US$175,743 respectively for the financial year ended 31 March 2019.

## 23 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT

The Group's activities have exposure to credit risks, market risks (including foreign currency risks and interest rates risks) and liquidity risks arising in the ordinary course of business. The Group's overall risk management strategy seeks to minimise adverse effects from the volatility of financial markets on the Group's financial performance.

The Board of Directors are responsible for setting the objectives and underlying principles of financial risk management for the Group. The Group's management then establishes the detailed policies such as risk identification and measurement, exposure limits and hedging strategies, in accordance with the objectives and underlying principles approved by the Board of Directors.

There has been no change to the Group's exposure to these financial risks or the manner in which the risks are managed and measured. The Group does not hold or issue derivative financial instruments for trading purposes or to hedge against fluctuations, if any, in interest rates and foreign exchange rates.

### Credit risk

Credit risks refer to the risk that counterparty will default on its contractual obligations resulting in a loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties as a means of mitigating the risk of financial loss from defaults or requiring advance payments from customers. The Group performs ongoing credit evaluation of its counterparties' financial condition and generally do not require collaterals.

The Group's and the Company's major classes of financial assets are cash and cash equivalents and trade and other receivables.

Exposure to credit risk

Excluding the amounts due from a related party, the Group has significant credit exposure arising from 5 (31 March 2019: 5) third party trade receivables amounting to US$484,395 (31 March 2019: US$328,910), representing 99% (31 March 2019: 60%) of the total trade receivables from third parties.

The Group has significant credit exposure arising from trade and non-trade amounts due from a related party amounting to US$769,404 (31 March 2019: US$545,265) and US$3,048,895 (31 March 2019: US$2,532,443), respectively as at 31 March 2020.

## 23 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (Continued)

**Credit risk** (Continued)

Expected credit loss assessment for trade receivables from third parties

The Group determines expected credit losses on trade receivables from third parties by making individual assessment of the expected credit loss ("ECL") for all balances, based on its historical credit loss experience, past due status and adjusted with forward looking assumptions, as appropriate. Management also takes into account historical provision trend and other relevant factors.

The Group assessed the latest performance and financial position of the counterparties, adjusted for the future outlook of the industry in which the counterparties operate in, and concluded that there has been no significant increase in the credit risk since the initial recognition of the financial assets. Accordingly, the Group measured the impairment loss allowance using lifetime ECL and determined that the ECL is insignificant. The following table provides information about the exposure to credit risk and expected credit loss for the Group's trade receivables from third parties as at 31 March 2020.

| | **31 March 2020** |
|---|---|
| | **US$** |
| Current | 396,004 |
| Past due 1 to 90 days | 173,843 |
| Past due 91 to 180 days | 87,919 |
| Past due 181 to more days | 597,348 |
| | 1,255,114 |

Expected credit loss assessment for trade and other receivables due from a related party and subsidiaries

Management has taken into account the available internal information on these related party and subsidiaries' past, current and expected operating performance and cash flow position. Management monitors and assesses at each reporting date on any indicator of change in credit risk on the amounts due from the respective related party and subsidiaries, by considering their financial performance and any default in external debts. The risk of default is considered to be minimal as these related party and subsidiaries are expected to have sufficient future cash flows to repay its debts.

The receivables balances measured based on the lifetime ECL model and 12 months ECL model for trade and non-trade, respectively by management have been determined to be insignificant.

Other receivables due from third parties

The Group has assessed credit risk for other receivables amounts due from third parties based on 12-month expected loss basis which reflects the low credit risk of the exposures. The Group measured the impairment loss allowance and determined that the ECL is insignificant.

*Cash and cash equivalents*

Cash and cash equivalents are mainly deposits with reputable banks with high credit ratings assigned by international credit rating agencies.

The cash and cash equivalents are held with bank and financial institution which are rated Baa2 to Aaa, based on Moody's rating. The Board of Directors monitors the credit ratings of counterparties regularly. Impairment on cash and cash equivalents has been measured on the 12-month expected loss model. At the reporting date, the Group and the Company did not expect any credit losses from non-performance by the counterparties.

## 23 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (Continued)

### Market risks

Market risk arises from the Group's use of interest bearing, tradable and foreign currency financial instruments. It is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates (currency risk), and interest rates (interest rate risk).

Foreign currency risks

The Group is exposed to changes in foreign exchange rates arising from foreign currency transactions and balances. The Group's overall financial risk management programme seeks to minimise potential adverse effects on the financial performance and position of the Group. The Group's overall risk management are determined and carried out by the management. The Group does not hold or issue derivative financial instruments for speculative purposes.

The Group and the Company are exposed to foreign exchange risks arising from various currency exposures, primarily with respect to the Singapore dollar, Myanmar Kyat, Euro and Pound Sterling.

The Group and the Company monitor the movement in foreign currency exchange rates closely to minimise the exposure.

The breakdown of the carrying amounts of financial assets and financial liabilities at the reporting date by currency are as follows:

| | **Financial Assets** | |
|---|---|---|
| | **Unaudited As at 31 March 2020** | **Audited As at 31 March 2019** |
| | US$ | US$ |
| United States Dollar | 4,577,511 | 4,214,349 |
| Myanmar Kyat | 207,446 | 278,005 |
| Singapore Dollar | 21,818 | 45,442 |
| Euro | 17,916 | 19,152 |
| | 4,824,690 | 4,556,948 |

| | **Financial Liabilities** | |
|---|---|---|
| | **Unaudited As at 31 March 2020** | **Audited As at 31 March 2019** |
| | US$ | US$ |
| United States Dollar | 6,756,767 | 359,794 |
| Singapore Dollar | 82,805 | 70,781 |
| Pound Sterling | 76,300 | 142,422 |
| Myanmar Kyat | 21,167 | 210,769 |
| | 6,937,037 | 783,766 |

*Foreign currency sensitivity analysis*

The following table details the Group's and the Company's sensitivity to a 10% (31 March 2019: 10%) change in Myanmar Kyat ("MMK") against United States dollar. The sensitivity analysis assumes an instantaneous 10% (31 March 2019: 10%) change in the foreign currency exchange rates from the end of the financial year, with all variables held constant.

## 23 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (Continued)

**Market risks** (Continued)

*Foreign currency sensitivity analysis* (Continued)

| | Profit or loss / Equity | |
|---|---|---|
| | **Unaudited As at 31 March 2020** | **Audited As at 31 March 2019** |
| | US$ | US$ |
| **MMK** | | |
| Strengthened against USD - 10% (31 March 2019: 10%) | 18,628 | 6,724 |
| Weakened against USD - 10% (31 March 2019: 10%) | (18,628) | (6,724) |

*Interest rate risks*

Interest rate risk is the risk that the fair value or future cash flows of the Group's financial instruments will fluctuate because of changes in market interest rates. The Group's exposure to interest rate risk arises primarily from their loan from ultimate holding company.

The Company does not expect any significant effect on the Group's profit or loss arising from the effects of reasonably possible changes to interest rates on interest bearing financial instruments at the end of the financial year as the loan from ultimate holding company bears interest at a fixed rate.

*Liquidity risks*

Liquidity risk arises from the Group's management of working capital and the finance charges and principal repayments on its debt instruments. It is the risk that the Group will encounter difficulty in meeting its financial obligations as they fall due.

The Group's policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities when they become due. To achieve this aim, it seeks to maintain cash balances (or agreed facilities) to meet expected requirements for a period of at least 45 days. The Group also seeks to reduce liquidity risk by fixing interest rates (and hence cash flows) on a portion of its long-term borrowings, this is further discussed in the 'interest rate risk' section above.

## 24 FAIR VALUE OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

*Fair value hierarchy*

The Group and the Company classifies fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The table below analyses financial instruments carried at fair value by the valuation method. The fair value hierarchy has the following levels:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e as prices) or indirectly (i.e derived from prices); and
- Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs)

Fair value of financial instruments that are not carried at fair value and whose carrying amounts are reasonable approximate at fair value

The Group's and Company's financial assets and financial liabilities include cash and cash equivalents, trade and other receivables (excluding prepayments and advances for hostel operations) and trade and other payables.

The carrying amounts of these financial assets and liabilities are a reasonable approximation of their fair values due to their short-term maturity of these financial instruments.

There were no transfers between levels during the period.

## 25 CAPITAL RISK MANAGEMENT POLICIES AND OBJECTIVES

The Group manages its capital to ensure that the Group is able to continue as a going concern and maintain an optimal capital structure so as to maximise shareholder value. The Group sets the amount of capital it requires in proportion to risk. The Group manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may issue new shares or sell assets to reduce debts.

The capital structure of the Group consists of equity attributable to the equity holder of the Company comprising issued capital, equity reserves, share option reserve, loan from ultimate holding company and accumulated losses.

The Group's management review the capital structure on an annual basis. As part of this review, management considers the cost of capital and the risks associated with each class of capital. The Group's overall strategy remains unchanged from 31 March 2019.

The Group is not subjected to externally imposed capital requirements for the financial period/year ended 31 March 2020 and 31 March 2019.

## 26 SUBSEQUENT EVENTS

On 26 May 2020, Myanmar Strategic Holdings announced that its wholly owned subsidiary MS English 2 Pte. Ltd., exchanged contracts with White Coral Limited (a subsidiary of Verlinvest S.A.) for the acquisition of the entire charter capital of Wall Street English Limited Liability Company ("WSE Vietnam"), a leading provider of English Language Training ("ELT") services in Vietnam (the "Acquisition"). The Acquisition will be carried out for a nominal consideration payable in cash plus the assumption of certain liabilities, including a commitment to service the existing WSE Vietnam students.

On the same date, the Company announced the launch of a Share Issuance Programme for up to 490,000 new ordinary shares in the Company over the next 12 months. The Share Issuance Programme is being implemented to provide the Company with flexibility should it wish to raise further capital as new investment opportunities arise over the next 12 months. It is the intention of the Directors of the Company that no shares be issued under the Share Issuance Programme at an issue price of less than US$20 per share.

On 26 May 2020, the Company also announced that, pursuant to the Share Issuance Programme, it has agreed to conditionally raise US$6.0 million (before expenses) through the issue of 300,000 new ordinary shares in the capital of the Company (the "Subscription Shares") at a price of US$20 per share (the "Subscription"), comprising:

- US$4.0 million through the issue of 200,000 new ordinary shares to A-Star-Education Holdings Pte. Ltd. ("A-Star"), a subsidiary of Verlinvest S.A.; and

- US$2.0 million through the issue of 100,000 new ordinary shares to MACAN Pte. Ltd., the Company's largest shareholder.

The Subscription is to settle in two tranches. On 11 June 2020, the Company issued 112,500 Subscription Shares relating to the first tranche of the Subscription to raise US$2.25 million through the issue of 75,000 new ordinary shares to A-Star-Education Holdings Pte. Ltd. and 37,500 new ordinary shares to MACAN Pte. Ltd. The second tranche of the Subscription to raise the balance of US$3.75 million is expected to complete by the end of July 2020 in conjunction with the acquisition of WSE Vietnam.